PROVINCIAL AUDITOR
of Saskatchewan

Dec
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Report
of the
Provincial
Auditor

2015 Report - Volume 2

To the Legislative Assembly of Saskatchewan

PROVINCIAL AUDITOR
of Saskatchewan

November 20, 2015

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2015 Report – Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Judy Ferguson

Judy Ferguson, FCPA, FCA
Provincial Auditor

/gb

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Overview by the Provincial Auditor

1.0 REPORT OVERVIEW

Through *The Provincial Auditor Act* (Act), the Legislative Assembly has made the Provincial Auditor its independent auditor. It has given the Provincial Auditor responsibility for auditing the Government of Saskatchewan, including all of its agencies. These agencies include ministries, Crown corporations, boards, commissions, and funds. Under the Act, the Provincial Auditor reports to the Legislative Assembly on the results of all examinations, and highlights matters that require the attention of legislators.

This Report (Volume 2) includes the results of our examinations completed by October 30, 2015. We have organized the results of our examinations into three sections. The following provides a brief overview of each section of the Report.

Annual Integrated Audits

We use the term **"integrated audits"** to describe our annual audits of agencies that examine:

- The effectiveness of their financial-related controls to safeguard public resources with which they are entrusted
- Their compliance with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- The reliability of the financial statements for those agencies that prepare them

Financial-related controls (financial rules and procedures) include processes to plan, evaluate, and coordinate the financial activities of an agency. Effective controls help agencies achieve their objectives, and sustain and improve performance.

This section of the Report includes the results of the annual integrated audits for ministries and agencies (agencies) with July 31, 2015 or earlier fiscal year-ends. For the most part, they had effective financial-related controls, complied with related authorities, and had reliable financial statements (see **Appendix 1**).

This Report notes 80 concerns about financial-related controls in 30 different agencies. Approximately one-third of these concerns relate to the need for improved information technology (IT) controls (e.g., need for disaster recovery plans, more robust or complete IT policies, or prompt removal of unneeded user access). While there has been progress addressing these concerns, it is relatively slow. Government agencies increasingly rely on IT systems to deliver their services; in addition, they often gather and maintain confidential data. Greater attention is necessary to ensure critical IT systems are always available when needed and sufficient safeguards are taken to protect confidential data.

Supervisory processes help ensure staff carry out their duties as and when expected. This Report highlights the need for several agencies to improve their supervisory processes over key financial activities. For example, Mamawetan Regional Health Authority, eHealth Saskatchewan, and Creative Saskatchewan each need better controls for preparing and reviewing journal entries. For another example, Creative Saskatchewan and Saskatchewan Apprenticeship and Trade Certification Commission each need to strengthen their processes over preparing and approving bank reconciliations. Controls over journal entries and bank reconciliations are key to ensuring the accuracy of financial reporting, reducing the risk of fraud and error, and protecting public resources.

Since 2003, our Office has reiterated the need for the Ministry of Health to develop a capital plan for the over $1 billion of capital assets used in Saskatchewan's healthcare system. In September 2015, the Ministry advised the Standing Committee on Public Accounts that it was in the process of developing such a multi-year capital plan with an expected completion date of mid-2016. A sector-wide capital plan would facilitate a coordinated approach to funding and renewal of capital assets within the health sector. Its use will help ensure healthcare agencies, like regional health authorities, have the assets they need to deliver services to clients.

Since 2008, our Office has highlighted the need for the Regina Qu'Appelle Regional Health Authority (Authority) to establish an internal audit function. The Authority agrees that there is need for such a function, but it has not set one up citing financial pressures. Even though an internal audit function would not directly deliver services like health care, it can be of great value to an organization, particularly one as large and as complex as the Authority. Internal audit functions can provide insights into improving management processes, help identify cost efficiencies, and help organizations focus on risks that really matter. Both Saskatoon and Prince Albert regional health authorities have internal audit functions.

We are also pleased to note improved financial-related controls made by about 20 agencies (e.g., ministries of Agriculture and Education, Regina Qu'Appelle Regional Health Authority, Saskatchewan Indian Gaming Authority).

Performance Audits

This section of the Report includes the results of 10 performance audits. Below provides a quick recap of some of them.

We use the term **"performance audits"** to describe audits that take a more in-depth look at processes related to management of public resources or compliance with legislative authorities.

Minimizing Employee Absenteeism: Excessive employee absenteeism increases the costs of delivering services and can cause disruption or decline in the quality of service.

In 2014-15, the average sick leave usage across ministries within the Saskatchewan government was 9.82 days. This is lower than the Canadian public sector 2012 average of 12.4 days but higher than the Canadian private sector 2012 average of 8.3 days. The **Ministry of Social Services** had the second highest sick leave usage of ministries at 10.7 days. Its sick leave pay equated to an estimated $5.6 million.

Our audit of the Ministry's processes to minimize absenteeism found they needed significant improvements. The Ministry needs to train staff on attendance management to increase staff's knowledge of attendance management policies and strategies. It needs to determine the causes for employee absenteeism to enable it to develop targeted strategies to address them. Also, senior management needs reports on how well its attendance management strategies are working. At August 2015, the Ministry was starting to develop plans to address these areas.

Preventing Resident Falls Within Long-Term Care Facilities: Fall-related incidents are the leading cause of injury for Canadian seniors. In Saskatchewan, about 1 in 10 of Saskatchewan's long-term care residents were considered at a high risk of falling, and about 1 in 15 at a medium risk of falling.

Prairie North Regional Health Authority established a falls prevention program in 2010 and, in August 2015, was in the process of renewing this program. Our audit of how well its processes prevented resident falls within its 14 facilities with long-term care services found its processes were generally effective with the following exceptions.

Prairie North needs to regularly carry out and document fall prevention safety checks; 5 of 7 facilities we visited did not do so. It needs to clarify when it expects staff to reassess fall risks for residents, and to investigate resident falls. For almost one-half of the files we tested, residents were not assessed for fall risk on a quarterly basis as required, and almost one-third of residents who experienced a fall did not have a fall reassessment done. Out-dated assessments of resident fall risks and uninvestigated falls increase the risk that appropriate interventions are not considered or taken to minimize risks of future falls.

Also, while Prairie North collects some information on fall-related injuries, capturing additional information such as the percentage of falls causing injury or severity of falls would enable better monitoring of how well its fall prevention program works.

Managing the Use of Social Media: Government agencies are starting to use social media (like Facebook, YouTube, and Twitter) to communicate with the public. Typical concerns around its use include loss of control of content, diminished reputation from poor or inaccurate content, and social media being used as a means to criticize an organization.

Tourism Saskatchewan uses social media to market Saskatchewan as a tourism destination. Our audit of the processes that its uses to manage social media found Tourism Saskatchewan needs to formalize several of its processes to decrease the possibility of inappropriate content on its social media channels. Specifically, Tourism Saskatchewan needs a formal social media strategy, comprehensive social media policies, and terms of use posted on its social media channels. Also, it must periodically determine and assess the value gained from its use of social media.

Promoting Good Student Health and Physical Fitness: Students who are physically active and properly nourished are better learners. **St. Paul's Roman Catholic Separate School Division No. 20** (known as Greater Saskatoon Catholic Schools, GSCS) is Saskatchewan's largest Catholic school division with about 17,000 students at 45 schools. Our audit of its processes to promote good student health and physical fitness found GSCS needs to make improvements in a few key areas.

School principals select, for their schools, student health and physical fitness initiatives without clear expectations for promoting student physical activity, or the benefit of division guidance on assessing and selecting these initiatives. Clear expectations and guidance would help ensure school initiatives align with the Division's priorities and meet student needs.

Although the GSCS and its schools partner extensively with private sector and not-for-profit organizations on nutrition and physical activity initiatives, it does not monitor these partnerships or community relationships. Without monitoring, it risks missed coordination opportunities, unnecessary competition amongst schools for partners, and duplication of efforts. In addition, it did not have a process to track and report to its Board on the performance of its student health and physical fitness initiatives.

Addressing Road Safety Concerns on Existing Highways: Saskatchewan has one of the highest fatality rates resulting from vehicle collisions in Canada. For 93% of collisions, human factors (like distracted driving) are either the primary or a contributing cause. For 34% of them, roadway factors (like the condition of the road surface) are a contributing cause. Being aware of and addressing road safety concerns is critical to keep the driving public safe.

We audited how well the **Ministry of Highways and Infrastructure** (Ministry) addresses safety concerns raised on existing highways. We focused on safety concerns related to design features such as turning lanes, lighting, guardrails; we did not examine concerns related to winter maintenance and construction work zones. We found the Ministry has a systematic process to log most of the road safety concerns raised, propose projects to address those concerns, and prioritize the importance of those projects (e.g., assigning a score). It uses a database to do this. However, we found that not all of the 15 projects selected for its 2015-16 annual work plan aligned with projects it had scored as being the highest priority. For example, the annual work plan included two projects not listed in the database, and 6 projects with lower priority scores than 53 other projects listed in the database. We found the Ministry did not have documented criteria to guide its selection of projects, and did not document the basis for its selection decisions. Having clear criteria and maintaining documented rationale for safety improvement decisions would increase the transparency of the Ministry's decisions; it would also enable the Ministry to show that it focuses its efforts on projects that address the most serious safety concerns.

Managing Risks to Service Delivery from Unsupported Critical IT Systems: Some government agencies keep their IT systems longer than related IT vendors (such as Microsoft or Oracle) are willing to provide technical support or updates to fix known security problems or vulnerabilities. Such systems are commonly referred to as "unsupported IT systems".

The **Ministry of Advanced Education** and several other government agencies (e.g., Saskatchewan Apprenticeship and Trade Certification Commission and regional colleges) rely on an unsupported IT system called *One Client Service Model* (OCSM system). Since 1999, they have used the OCSM system to support the delivery of various post-secondary programs (like apprenticeship training allowances, student class registration, and provincial training allowances). Vendor support for this system ended in 2008. Unsupported IT systems are at greater risk of availability and security issues that could adversely affect their operations. Timely identification and careful management minimizes the risks posed by unsupported IT systems.

We found the Ministry had, with the following exceptions, effective processes to manage the risks to service delivery from the unsupported OCSM system. It did not have sufficient information (e.g., expected costs to upgrade to a vendor supported system, current cost of manual fixes) to enable it to plan for or make decisions about the future of the OSCM system. Also, at August 2015, it was unclear whether the Ministry or the

Ministry of Central Services (who hosts the OCSM system) was responsible for determining when to upgrade and patch the OCSM system. Since 2011, the OCSM system has had issues (e.g., did not work properly, or was not available when needed).

Buying Goods and Services: The public expects government agencies to buy goods and services in a fair and transparent way, and obtain the best value for public money. For two agencies, we audited their processes to buy goods and services.

- **Saskatchewan Polytechnic** spends almost $70 million each year to buy goods and services. We found it had generally effective processes to buy goods and services with a few areas requiring improvement. We made 13 recommendations. For example, so that it has consistent buying processes and expectations, it must extend the application of its procurement policy to all types of purchases. At June 2015, the policy did not apply to almost $8 million of library, bookstore, or cafeteria purchases. Also, it must consistently document the basis for key decisions, and obtain required approvals before making purchases. For single- or sole-source procurements we tested, 27% did not document the reason for using this method, and 20% made the purchase before they obtained the required approval. Also, to reduce the risk of inappropriate purchases, Saskatchewan Polytechnic must prohibit managers from approving payments for purchases made on their behalf. For example, we found one senior manager approved about $23,000 for purchases a subordinate made on the manager's behalf.

- **3sHealth** facilitates volume-based and standardized purchases of goods and services on behalf of regional health authorities and their affiliates, and the Saskatchewan Cancer Agency (member agencies). In 2014-15, member agencies bought $221 million of goods and services through 3sHealth. 3sHealth directly facilitated about one-half of these purchases, and a national group purchasing organization (GPO), contracted by 3sHealth, facilitated the other half.

  Our audit of 3sHealth processes to buy goods and services on behalf of member agencies found it needed to make improvements in a number of key areas.

  For example, 3sHealth did not have sufficient processes to know whether the GPO followed its procurement policies or if the GPO's policies aligned with 3sHealth's policies. Even though its agreement requires the GPO to comply with 3sHealth's procurement policies, 3sHealth did not share its policies with the GPO. Rather it relied solely on 3sHealth's staff involvement on various GPO committees or purchasing activities to identify any concerns with the GPO's purchasing processes, and did not formally collect or report such information. Also, in a few cases, 3sHealth staff did not follow 3sHealth's procurement policies (e.g., documenting reasons for sole-source decisions and evaluations of tender proposals for purchases 3sHealth facilitated). Non-compliance with procurement policies may expose 3sHealth to financial, legal, or reputational risks.

  In addition, 3sHealth did not have a process to obtain and explicitly consider, when facilitating purchases, conflicts of interest that procurement staff of member agencies and the GPO may have identified.

  Furthermore, it collected limited information on supplier performance, and did not share collected information with those with procurement responsibilities. This increases the risk of member agencies buying goods or services from suppliers with known problems.

Other Performance Audits: This Report also includes the results of the following two audits: coordination processes over the use of Lean across government ministries and certain other agencies, and Saskatchewan Liquor and Gaming Authority's project management processes for projects with significant IT components.

Audit Follow-Ups

We use the term **"audit follow-ups"** to describe our assessments of whether government agencies have taken actions to address recommendations that we made in our past performance audits. We carry out an initial follow-up either two or three years after our original audit, and subsequent follow-ups every two or three years thereafter until the recommendations are implemented.

In this section of the Report, we provide the results of our follow up on 71 recommendations we made in 15 previous audits. In **Figure 1—Summary of Results of Audit Follow-Ups**, we provide a list of the audits (noting the related agency) and the status of recommendations.

On an overall basis, almost all agencies are making or have made good progress in implementing our recommendations. We are particularly impressed with the pace that a few agencies have made improvements—Water Security Agency, Sun Country Regional Health Authority, and Ministry of Agriculture. Each, in just over two years since our initial audit, had implemented either all or almost all of the recommendations we made.

Progress is slower than we expected only at a couple of agencies—Ministry of Justice and Saskatchewan Liquor and Gaming Authority.

In 2011, we recommended that the Ministry of Justice consider the benefits, in consultation with Saskatchewan's Information and Privacy Commissioner, of changes to Saskatchewan legislation to mitigate risks related to laws in the United States *(USA Patriot Act)*. By September 2015, the Ministry had not done so. This recommendation arose because of the Standing Committee of Public Accounts' concerns. It was concerned about the accessibility of Saskatchewan government data that travels electronically through the United States (US), or that may reside on computers in the US or on service provider computers in Saskatchewan but is accessible to US parent companies given provisions of US laws.

By March 31, 2015, Saskatchewan Liquor and Gaming Authority had implemented two recommendations we initially made in our 2012 audit of its processes to procure liquor. Also, it had made progress on our recommendation to develop and use written procedures for monitoring product performance. However, Liquor & Gaming needs to document information used in making procurement decisions, and obtain formal assurance about the safety and alcohol content of liquor products sold in Saskatchewan.

Figure 1—Summary of Results of Audit Follow-Ups

			Status of Recommendations			
Chapter Name	Related Initial Report[a]	Number of Recommendations	Implemented	Partially Implemented	Not Implemented	Unable to Assess
Initial Follow-Ups						
Agriculture—Livestock Waste Regulation	2013 Report – V2	3	2	1	-	-
Environment—Landfills Regulation	2013 Report – V2	9	2	4	1	2
Justice—Maintaining the Integrity of Offender Data	2012 Report – V2	6	4	2	-	-
Regina Public and Regina Separate School Divisions—Physical Safety of Students	2013 Report – V1	17	4	7	6	-
Saskatchewan Crop Insurance Corporation—AgriStability Benefits	2013 Report – V1	5	3	2	-	-
Sun Country Regional Health Authority—Managing Medications	2013 Report – V2	5	4	-	1	-
Water Security Agency—Drinking Water Regulation	2013 Report – V1	6	6	-	-	-
Initial Follow-Ups Subtotal		**51**	**25**	**16**	**8**	**2**
Subsequent Follow-Ups		[b]				
Central Services—Fleet Maintenance	2008 Report – V1 2010 Report – V2 2013 Report – V2	3	3	-	-	-
Economy—Project Management Processes over PRIME	2011 Report – V1 2013 Report – V2	1	-	1	-	-
Heartland Regional Health Authority—Disposing IT and Communication Equipment	2009 Report – V3 2012 Report – V2	2	2	-	-	-
Justice—Adult Inmate Rehabilitation	2008 Report – V1 2010 Report – V1 2011 Report – V2	3	-	3	-	-
Justice—Managing Labour Costs Related to Absenteeism	2010 Report – V1 2013 Report – V1	2	2	-	-	-
Justice—Protecting Saskatchewan Data	2011 Report – V2 2013 Report – V2	1	-	-	1	-
Kelsey Trail Regional Health Authority—Medical Equipment Maintenance	2010 Report—V2 2012 Report–V2	3	-	3	-	-
Saskatchewan Liquor and Gaming Authority—Liquor Procurement	2012 Report – V1 2013 Report – V2	5	2	2	1	-
Subsequent Follow-Ups Subtotal		**20**	**9**	**9**	**2**	**-**
Overall Total		**71**	**34**	**25**	**10**	**2**

Source: Compiled by Provincial Auditor of Saskatchewan.

[a] V – means Volume.

[b] For "Subsequent Follow-Ups", the "Number of Recommendations" is the number of recommendations that remained not implemented after the previous follow-up.

2.0 ACKNOWLEDGMENTS

The Office appreciates and thanks the staff and management of all government agencies along with their appointed auditors (if any) for the cooperation we received in the completion of the work included in this Report.

Also, as Provincial Auditor, I thank the dedicated professionals in the Office (see below) for their diligence and commitment. Only through their hard work can we fulfill our mission—*to serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources*.

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Chapter 1
Advanced Education

1.0 MAIN POINTS

This chapter reports the results of the 2015 annual audits of the Ministry of Advanced Education (Advanced Education) and its agencies.

Advanced Education and its agencies complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2015 financial statements of each of Advanced Education's agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except Advanced Education needs to sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services.

2.0 INTRODUCTION

Advanced Education is responsible for the post-secondary education system that supports a growing Saskatchewan and that leads to a higher quality of life. Saskatchewan's post-secondary system provides support to the province's labour force development. For the year ended March 31, 2015, Advanced Education utilized 132.6 full-time equivalent positions.[1]

2.1 Financial Overview

For the year ended March 31, 2015, Advanced Education spent $822 million on its programs. Information about Advanced Education's expenditures appears in its *2014-15 Annual Report*.[2]

Figure 1—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	$ 14.9	$ 13.0
Student Supports	82.0	90.1
Post-Secondary Education	720.6	718.7
Total Appropriation	817.5[3]	821.8
Capital Asset Amortization	0.3	0.3
Total Expense	$ 817.8	$ 822.1

Source: Ministry of Advanced Education, *2014-15 Annual Report*, p. 22.

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[1] Ministry of Advanced Education, *2014-15 Annual Report*, p. 21.

[2] See www.finance.gov.sk.ca/PlanningAndReporting/2014-15/2014-15AEAnnualReport.pdf (15 October 2015).

[3] The Estimates total does not included an additional $5.4 million authorized through the Saskatchewan Supplementary Estimates.

2.2 Special Purpose Funds and Agencies

At March 31, 2015, Advanced Education was responsible for seven regional colleges each with year ends of June 30, 2015. We report the results of our audits of the regional colleges separately in Chapter 18. Advanced Education was also responsible for the following special purpose funds and agency (agencies) reported in this chapter:

Year-End	Agency
March 31	Saskatchewan Student Aid Fund
March 31	Training Completions Fund
June 30	Saskatchewan Polytechnic (We carried out the audit jointly with KPMG LLP)

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on or before June 30, 2015:

- **Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for Advanced Education needs an adequate agreement on disaster recovery of computer systems and data**

- **Advanced Education and its agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Executive Government Administration Act
  The Ministry of Advanced Education Regulations
  The Post-Secondary Education and Skills Training Act
  The Education Act, 1995 (section 3[1])
  The Graduate Retention Program Act
  The Graduation Retention Program Regulations
  The Private Vocational Schools Regulation Act, 1995
  The Private Vocational Schools Regulation, 1995
  The Public Service Act, 1998
  The Financial Administration Act, 1993
  The Saskatchewan Polytechnic Act
  The Saskatchewan Polytechnic Regulations
  The Student Assistance and Student Aid Fund Act, 1985
  The Lender-financed Saskatchewan Student Loan Regulations
  The Student Assistance and Student Aid Fund Regulations, 2001
  The Saskatchewan Student Direct Loans Regulations
  Orders in Council issued pursuant to the above legislation

- **The financial statements of each agency are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Advanced Education's and its agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Advanced Education's and its agencies' rules and procedures to safeguard public resources included the following. We evaluated their processes related to administering grants (e.g., to post-secondary educational institutions or students), recording revenues, tendering and awarding contracts, payroll, and purchasing goods and services. We also assessed Advanced Education's processes for estimating amounts due to graduates under the Graduate Retention Program and the Saskatchewan Advantage Grant for Education Savings Program.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Shared Service Agreement Completed

We recommended that the Ministry of Advanced Education sign a complete memorandum of understanding with the Ministry of the Economy that defines all roles and responsibilities for shared services. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

Status – Implemented

By March 2015, Advanced Education had a complete Memorandum of Understanding with the Ministry of the Economy. The Memorandum defines all roles and responsibilities for shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance.

4.2 Funding to Post-Secondary Educational Institutions for Debt Repayment

We recommended that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding provided to post-secondary educational institutions for the repayment of principal and interest due on loans and related liabilities. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

Status – Implemented

As last described in our *2014 Report – Volume 2*, Chapter 1, we reported that Advanced Education has not been following Canadian generally accepted accounting principles for the public sector (GAAP) when accounting for funding provided to universities to enable them to repay the principal and interest due on certain loans for capital projects.

During 2014-15, Advanced Education provided post-secondary institutions with approximately $720.6 million in operating and other funding. During 2014-15, universities incurred approximately $20 million in principal repayments and interest.

Since March 2014, Advanced Education's communications to the universities have clarified the Government's position and intentions regarding providing ongoing grants for repayment of principal and interest on their loans. They note that the Government has not guaranteed the repayment of universities' borrowings, and these borrowings are the universities' financial obligations. Advanced Education's communications clearly note it makes decisions on the amount that it funds the universities on an annual basis, and its grants do not include specific amounts to fund repayment of principal and interest on universities' loans. Rather it gives universities discretion on how to use the operating grants they receive from Advanced Education. Its communications emphasize universities must prudently manage their financial resources to maintain on-going operations while meeting their financial obligations.

4.3 Information Technology Controls Need Improvement

We recommended the Ministry of Advanced Education sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – Partially Implemented

Advanced Education uses the Ministry of Central Services (Central Services) to host its information systems and data. For example, Central Services hosts key applications Advanced Education uses such as the One Client Service Model (OCSM). Advanced Education uses OCSM to deliver training and financial assistance services to its clients. OCSM includes sensitive financial information about post-secondary students and their relatives (e.g., banking information, tax and other income information, social insurance numbers, birth dates). Also, Central Services provides Advanced Education with computers and network access.

During 2011-2012, Advanced Education signed a Memorandum of Understanding with Central Services. The Memorandum expected the Ministry and Central Services to reach agreement on various aspects including disaster recovery at a later date (i.e., develop schedules to augment the Memorandum).

Advanced Education started a project to address security issues with OCSM during summer 2015. It expects to complete the schedules on disaster recovery by the end of the project in 2016-17.

Without an agreement on disaster recovery services, neither Advanced Education nor Central Services knows whether Central Services can restore Advanced Education's systems and data in the event of a disaster. Unavailable key systems, like OCSM, could result in Advanced Education not being able to provide timely services to the public.

We recommended the Ministry of Advanced Education monitor the effectiveness of the Ministry of Central Services' security controls to protect Advanced Education's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – Implemented

In 2014-15, Advanced Education received reports from Central Services outlining known security issues including Advanced Education applications that are no longer supported by vendors. This information helped Advanced Education to make decisions about the security of its information technology systems.

Chapter 2
Agriculture

1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Agriculture (Agriculture), its agencies, and funds for the year ended March 31, 2015. The 2014-15 financial statements of Agricultural Credit Corporation of Saskatchewan, Agricultural Implements Board, Saskatchewan Crop Insurance Corporation (agencies), and the Ministry's funds are reliable.

Agriculture, its agencies, the Horned Cattle Fund, Pastures Revolving Fund, and Saskatchewan Agricultural Stabilization Fund each complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except Agriculture needs to obtain Orders in Councils for certain grazing lease agreements.

Agriculture, its agencies, and the Saskatchewan Agricultural Stabilization Fund had effective rules and procedures to safeguard public resources except Agriculture needs to follow procedures for removing unneeded user access to its computer systems promptly.

During 2014-15, Agriculture addressed our past recommendations by:

- Complying with laws related to its approving and tabling in the Legislative Assembly its animal products inspection agreements and animal identification inspection agreements
- Obtaining adequate assurance from the Ministry of Central Services over the security of Agriculture's computer systems and data
- Publishing information on the possible extent to which its AgriStability estimates may vary from actual results

2.0 INTRODUCTION

The authority for Agriculture is contained in *The Agriculture Administration Act*. For the year ended March 31, 2015, Agriculture had 384.3 full-time equivalent (FTE) employees.[1]

Agriculture's purpose is to enable a prosperous market-driven agricultural industry through supporting legislative framework, policies, and programs and services.[2] Also, Agriculture regulates certain industry practices (such as branding) and various producer-elected commodity boards (through the Agri-Food Council). During 2014-15, Agriculture administered the following key programs:

- Extension services for producers (forage, farm business management, livestock, crops, and irrigation)

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[1] Ministry of Agriculture, *2014-15 Annual Report*, p. 4.
[2] Ministry of Agriculture, *Ministry Plan for 2014-15*, p. 3.

- Business risk management programs (e.g., Crop Insurance, AgriStability, AgriInvest, Western Livestock Price Insurance Program)

- Growing Forward 2 Programming[3] (e.g., Farm Business Development Initiative, Farm & Ranch Water Infrastructure Program, Saskatchewan Agri-Value Initiative, Livestock Traceability Rebate, Market Development Program, Agriculture Awareness Initiative)

- Research programs (e.g., Agriculture Development Fund, Agriculture Demonstration of Practices & Technologies, Agriculture-Applied Research Management, Strategic Research Program at the University of Saskatchewan and the Western Beef Development Centre)[4]

2.1 Financial Overview

In 2014-15, Agriculture had revenues of $124.9 million (2013-14: $137.9 million) comprised primarily of transfers from the federal government for agricultural programs, lease revenue, and land sales. At March 31, 2015, Agriculture held agricultural lands, buildings, and equipment with a net book value of $63.8 million.

In 2014-15, Agriculture spent $355.3 million (2013-14: $391.4 million). About 89% of this spending was for grants (transfers) to government agencies and funds including $212.7 million to Saskatchewan Crop Insurance Corporation for the crop insurance and AgriStability programs.

Figure 1—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	$ 11.3	$ 9.5
Policy and Planning	3.0	2.7
Research and Technology	26.7	35.3
Regional Services	40.3	22.6
Land Management	6.0	5.0
Industry Assistance	7.6	6.4
Financial Programs	33.6	20.8
Business Risk Management – Crop Insurance, AgriStability, and AgriInvest	242.2	251.0
Total Appropriation	370.7	353.3
Capital Asset Acquisitions	(1.5)	(0.6)
Capital Asset Amortization	2.4	2.4
Total Expense	$ 371.6	$ 355.3

Source: Ministry of Agriculture, *2014-15 Annual Report*.

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[3] Growing Forward 2 is a federal-provincial-territorial policy framework of agricultural programs.
[4] Ministry of Agriculture, *2014-15 Annual Report*, p. 4.

Agriculture's annual report provides further detail on its revenues and expenses including reasons for differences from its approved budget.

2.2 Agencies and Funds

Agriculture is responsible for many agencies and funds that administer and support agricultural programs in Saskatchewan. Each of the following agencies and funds has a March 31 year-end. We have reported the results of our audit of the Prairie Agricultural Machinery Institute (in blue font) in the chapter number identified.

Horned Cattle Fund
Pastures Revolving Fund
Saskatchewan Agricultural Stabilization Fund
Crop Reinsurance Fund of Saskatchewan
Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Prairie Agricultural Machinery Institute (Chapter 14)
Saskatchewan Crop Insurance Corporation

Also, Agriculture partnered with the University of Saskatchewan in Prairie Diagnostic Services Inc. (Prairie Diagnostics). Prairie Diagnostic provides veterinary diagnostic services to Saskatchewan veterinary and livestock industries. Agriculture also administers the Livestock Services Revolving Fund that had no active operations in 2014-15.

3.0 AUDIT CONCLUSIONS AND SCOPE

We worked with the appointed auditors of the agencies and funds (see **Figure 2**), using the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[5]

Figure 2—Crown Agencies and Funds with an Appointed Auditor

Year-End	Agency	Appointed Auditor
March 31	Saskatchewan Agricultural Stabilization Fund	KPMG LLP
March 31	Agricultural Credit Corporation of Saskatchewan	MNP LLP
March 31	Saskatchewan Crop Insurance Fund	KPMG LLP
March 31	Crop Reinsurance Fund of Saskatchewan	KPMG LLP

In our opinion, for the year ended on or before March 31, 2015:

- **Agriculture, three of its agencies, and the Saskatchewan Agricultural Stabilization Fund had effective rules and procedures to safeguard public resources except for the matters related to Agriculture reported in this chapter**

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[5] See our website at www.auditor.sk.ca.

- **Agriculture, three of its agencies, and the Horned Cattle Fund, Pastures Revolving Fund, and Saskatchewan Agricultural Stabilization Fund complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except for the matter noted in this chapter:**

The Agri-Food Act, 2004
The Agri-Food Regulations, 2004
The Agricultural Credit Corporation of Saskatchewan Act
The Agricultural Credit Corporation of Saskatchewan Regulation, 1989
The Agriculture Implements Act
The Agriculture Implements Regulations, 1982
The Animal Identification Act
The Animal Products Act
The Irrigation Act, 1996
The Saskatchewan Crop Insurance Corporation Act
The Agriculture Administration Act
The Ministry of Agriculture Regulations, 2007
The Farm Financial Stability Act
The Cattle Breeder Associations Loan Guarantee Regulations, 1991
The Cattle Feeder Associations Loan Guarantee Regulations, 1989
The Excess Moisture Program Regulations, 2011
The Farm and Ranch Water Infrastructure Program Regulations
The Saskatchewan Farm Security Act – Part VI
The Saskatchewan Farm Security Regulations
The 2013 Farm and Ranch Water Infrastructure Program Regulations
The Horned Cattle Purchases Act
The Horned Cattle Purchases Regulations, 1983
The Intensive Livestock Operations Environmental Rehabilitation Program Regulations
The Livestock Dealer Regulations, 1995
The Livestock Inspections and Transportation Regulations, 1978
The 2011 Saskatchewan Feed and Forage Program Regulations
The Short-term Hog Loan Regulations, 2008
The Short-term Cattle Loan Program Regulations
The Wildlife Damage and Livestock Predation Regulations
The Financial Administration Act, 1993
The Executive Government Administration Act
The Pastures Act
The Pastures Regulations
The Provincial Lands Act
The Provincial Lands Regulations
The Public Service Act, 1998
The Purchasing Act, 2004
Orders in Council issued pursuant to the above legislation

- **The financial statements of each of the three agencies and four funds are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of controls at Agriculture, its agencies, and the Saskatchewan Agricultural Stabilization Fund. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included examining the effectiveness of financial related controls at Agriculture, its three agencies, and the Saskatchewan Agricultural Stabilization Fund used to administer their spending, revenues and key assets. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports.

During our examination of the Pastures Revolving Fund, we noted several instances of theft to the Crown as described in **Section 4.6**.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Approval for Grazing Agreements Not Obtained

Agriculture has not obtained Cabinet approval for two grazing lease agreements with a lessee for land in excess of 25,000 acres.

The Provincial Lands Regulations under *The Provincial Lands Act* require Agriculture to obtain an Order in Council (Cabinet approval) when it enters into an agreement with an individual to lease more than 25,000 acres of provincial land. An Order in Council is a directive issued by the Lieutenant Governor in Council on the advice of Cabinet that authorizes the agreement and makes the decision public.

During the audit, we found that Agriculture had renewed two agreements with different individuals without obtaining Orders in Council. Accordingly, these agreements were not properly authorized as required by law.

1. **We recommend that the Ministry of Agriculture obtain an Order in Council prior to entering a grazing lease agreement for land in excess of 25,000 acres as required by law.**

4.2 Prompt Removal of User Access Needed

We recommended that the Ministry of Agriculture follow its established procedures to properly remove unneeded user access to its computer systems and data. (2014 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Partially Implemented

Although Agriculture has established procedures for removing unneeded user access to its computer systems and data, staff did not consistently follow them.

For example, we found that 4 out of 10 individuals did not have their network access removed promptly. One of these individuals continued to have network access for 22 working days after they left employment.

We also found that 4 out of 5 individuals who no longer needed access to MIDAS Financials did not have their access removed promptly. One of these individuals continued to have access to MIDAS Financials for 42 working days after they left employment.

Not promptly removing unneeded user access of former employees increases the risk of inappropriate access to Agriculture's systems and data.

4.3 Livestock Administration Agreement Authorized and Made Public as Required by Law

We recommended that the Ministry of Agriculture obtain an Order in Council prior to entering into an animal products inspection administration agreement and an animal identification inspection administration agreement as required by law. (2014 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

Agriculture obtained an Order in Council (578/2014) dated November 13, 2014 for the Livestock Inspection Administration Agreement.

We recommended that the Ministry of Agriculture table all animal products inspection administration agreements and animal identification inspection administration agreements in the Legislative Assembly as required by law. (2014 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

Agriculture tabled the Livestock Inspection Administration Agreement covering animal products inspection administration and animal identification inspection administration on December 4, 2014 with the Legislative Assembly.

4.4 Information on Security of Hosted Systems and Data

We recommended that the Ministry of Agriculture obtain assurance from the Ministry of Central Services on the operating effectiveness of the Information Technology Division's controls over its client systems and data and assess the impact of deficient controls on the Ministry of Agriculture's operations. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

The Ministry of Central Services (Central Services) hosts key computer systems that Agriculture uses to carry out its operations (e.g., Crown Land Management System hosts financial information about its leases [e.g., information on lease holders and rates]).

During 2014-15, Agriculture obtained sufficient information and assessed the effectiveness of Central Services' controls to keep Agriculture's key computer systems and data secure.

4.5 Uncertainty in AgriStability Estimate Disclosed

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

In conjunction with the federal department of Agriculture and Agri-Food Canada and Saskatchewan Crop Insurance Corporation, Agriculture developed a range estimate on the uncertainty of the provincial expense for the AgriStability program and disclosed it in its annual report. The program payment for the 2014 program year was $30.4 million with an estimated range of $16.3 and $44.6 million[6] of program expenses that may still be claimed.

4.6 Other Matters

In 2014-15, Ministry staff discovered three instances of theft of assets at different pastures: loss of a fence post pounder (estimated replacement value of $11,500), barbed wire (estimated replacement value of $637), and a chainsaw (estimated replacement value of $500) (2014: two thefts for $800). The matters have been referred to the RCMP.

The Ministry of Finance publicly reports certain losses of public money and property belonging to the Government. Agriculture reported the thefts to the Ministry of Finance as required.

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[6] Ministry of Agriculture. *2014-15 Annual Report*, p. 20.

Chapter 3
Commercial Revolving Fund

1.0 MAIN POINTS

The Ministry of Parks, Culture and Sport (Ministry) is responsible for the Commercial Revolving Fund (CRF) and its administration.[1] CRF's 2014-15 financial statements are reliable. It compiled with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except it did not charge the correct fees for battery site leases as required by law.

2.0 INTRODUCTION

Under *The Natural Resources Act*,[2] the CRF conducts commercial activities required for the promotion, development, and management of provincial parks.[3] These commercial activities include leasing parkland for petroleum and natural gas extraction.

2.1 Financial Overview

Each year, the Ministry subsidizes CRF's operations. As shown in **Figure 1**, in 2014-15, CRF had a subsidy of $10.1 million (2013-14: $10.7 million) in addition to its revenues of $16.7 million (2013-14: $14.9 million) and expenses of $26.1 million (2013-14: $24.5 million). At March 31, 2015, CRF had net debt of $312 thousand (2014: $1.04 million) and held inventory of $1.0 million (2014: $1.1 million).

Figure 1—Revenue and Expenses by Program

	2014-15	
	Budget	Actual
	(in millions)	
Revenues		
Camping and Park Entry	$ 11.0	$ 11.8
Cottage Leases	2.3	2.4
Resource Management	0.9	0.8
Commercial Leases	0.4	0.5
Other Revenues	0.6	1.2
Total Revenue	$ 15.2	$ 16.7

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[1] Order in Council 900/07 dated November 21, 2007.

[2] Section 18 of *The Natural Resources Act*.

[3] Saskatchewan has 194 separate, legally-designated park lands located throughout the province of which 11 are recreation parks, 127 are recreation sites, 4 are wilderness parks, 11 are natural environment parks, and 17 are historic parks sites. www.pcs.gov.sk.ca/AboutSaskatchewanParks (21 August 2015).

	2014-15	
	Budget	Actual
	(in millions)	
Expenses		
Salaries and Benefits	14.3	14.9
Other Operating Expenses	11.3	11.3
Total Expense	$ 25.6	$ 26.2
Loss from Operations	(10.4)	(9.5)
Subsidy from the Ministry	10.4	10.1
Annual Surplus	$ 0.0	$ 0.6

Source: Commercial Revolving Fund 2014-15 audited financial statements.

3.0 Audit Conclusions and Scope

In our opinion, for the year ended March 31, 2015:

- **CRF had reliable financial statements**
- **CRF complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

The Natural Resources Act
The Parks Act
The Parks Regulations, 1991
The Executive Government Administration Act
Orders in Council issued pursuant to the above legislation

We focused our work on verifying the accuracy and completeness of revenue to supporting documents (commercial lease agreements, rates pursuant to legislation, invoices issued by CRF). We examined the accuracy of CRF's recording of transactions and processes to prepare accurate financial reports.

4.0 Key Finding and Recommendation

4.1 Incorrect Fees Charged

CRF did not charge the correct fees for battery site[4] leases.

The Parks Regulations, 1991 sets out the prescribed fees for battery site leases.

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[4] A battery site is a facility at which the liquids obtained from one or more wells are stored before those liquids are processed for market or delivered to market or are otherwise disposed of, and may include equipment or other devices for separating the liquids into oil, natural gas, and water.

During the audit, we found that CRF charged, for at least the last eight years, fees for battery site leases at rates different from those set out in the regulations. For example, in 2014-15, errors in rates charged to individual leaseholders ranged from overcharging by 11% to undercharging by 28% of the prescribed fees set out in regulations. In 2014-15, CRF charged the leaseholders fees[5] totalling $29,260 instead of $35,572 resulting in undercharging fees by $6,312 on an overall basis.

Because it did not charge fees based on regulations, CRF did not comply with the law.

1. **We recommend that the Commercial Revolving Fund charge fees for battery site leases based on rates set out in law.**

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[5] Leaseholder fees are classified as commercial lease revenue.

Chapter 4
Creative Saskatchewan

1.0 MAIN POINTS

Creative Saskatchewan's 2015 financial statements are reliable and it complied with the authorities governing its activities. It had effective rules and procedures to safeguard public resources except that it needs to establish policies and procedures to give staff guidance for maintaining accurate accounting records and preparing financial statements, restricting access to its IT systems and data, and preparing and approving payroll, bank reconciliations, and journal entries. Creative Saskatchewan has implemented a process to obtain an Order in Council where individual financial assistance exceeds $250,000 in a fiscal year.

2.0 INTRODUCTION

Creative Saskatchewan was formed in 2013 pursuant to *The Creative Saskatchewan Act*, which was proclaimed on July 2, 2013. The purpose of Creative Saskatchewan is to provide grants to arts communities in Saskatchewan through various programs.

At March 31, 2015, Creative Saskatchewan had net financial assets of $2.6 million (2013-14: $1.8 million) and tangible capital assets of $0.2 million (2013-14: $0.02 million). As shown in **Figure 1**, in 2014-15, the Board received $7.1 million from the Ministry of Parks, Culture and Sport for its operations.

Figure 1—Revenue and Expense

	Budget 2014-15	Actual 2014-15
	(in millions)	
Provincial Government Grants	$ 8.3	$ 7.1
Other Income	0.1	1.3
Total Revenue	8.4	8.4
Grants	$ 6.7	$ 5.4
Operational Expenses	1.9	1.6
Other Expenses	0.4	0.4
Total Expense	$ 9.0	$ 7.4

Source: March 31, 2015 Audited Financial Statements.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **Creative Saskatchewan's financial statements are reliable**
- **Creative Saskatchewan had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **Creative Saskatchewan complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Creative Saskatchewan Act
The Creative Saskatchewan Regulations
Orders in Council issued pursuant to the above legislation

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Creative Saskatchewan's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Creative Saskatchewan's most significant expense stream is grant expenses which comprise payments to various members of the creative industry. We examined Creative Saskatchewan's financial controls for approving grants and other expenses. We also assessed Creative Saskatchewan's controls related to record keeping and financial reporting.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Financial Reporting Guidance Needs Improvement

Written guidance forms part of an agency's system of control. Usually, an agency provides such guidance in the form of accounting policies and procedures. Such policies and procedures guide staff as they carry out their duties. Documented policies and procedures help in the orderly and efficient conduct of business and help ensure financial reports are accurate.

Creative Saskatchewan has some established policies but they are not complete. For example, they do not include policies and procedures for preparing financial statements in accordance with Canadian public sector accounting standards and maintaining accurate financial records. The draft financial statements submitted for audit contained several material errors resulting in a misstatement of annual surplus by almost $120,000. Management corrected the errors upon becoming aware of them.

Not having complete policies and procedures for preparing financial statements in accordance with Canadian public sector accounting standards increases the risk of inaccurate financial records and statements.

1. **We recommend that Creative Saskatchewan's Board establish policies and procedures for maintaining accurate accounting records and preparation of financial statements.**

4.2 Password Policy Needed

Creative Saskatchewan does not have a policy for information technology (IT) password requirements.

Creative Saskatchewan requires staff to use passwords to access its information systems and data. However, it has not established a policy requiring users to periodically change their passwords or specify the password setting requirements. Not requiring (or at times, forcing) staff to change passwords regularly, or requiring passwords to be sufficiently complex (e.g., combination of letters, numbers, and characters) increases the risk of passwords being compromised and in turn, increases the risk of unauthorized access to IT systems and data.

2. **We recommend that Creative Saskatchewan establish a policy for restricting access to its IT systems and data.**

4.3 Service Provider Agreement Needed

Creative Saskatchewan does not have a service agreement with its external payroll service provider.

When agencies use external service providers, they need a signed agreement setting out the roles and responsibilities of each party. Lack of a signed service agreement could result in a misunderstanding of each party's roles leading to conflicts.

3. **We recommend that Creative Saskatchewan sign a service agreement with its payroll service provider.**

4.4 Clear Processes for Review and Approval of Payroll Registers Needed

Creative Saskatchewan does not have written processes setting out its expectations for the review and approval of payroll.

Creative Saskatchewan's payroll service provider prepares payroll registers after each payroll cycle. Creative Saskatchewan staff receive these payroll registers, but do not document their review and approval of the registers prior to payment to staff.

Lack of written guidance on how to review and approve the payroll registers increases the risk of errors in the register resulting in incorrect payments to staff.

4. **We recommend that Creative Saskatchewan give staff written guidance for reviewing and approving payroll registers prior to paying employees.**

4.5 Clear Processes for Bank Reconciliations Needed

Creative Saskatchewan does not have written processes setting out its expectations for the preparation and approval of bank reconciliations.

Creative Saskatchewan prepared bank reconciliations throughout the year. However, staff left no evidence of who prepared the bank reconciliations and when. Nor was there any evidence of independent review and approval of those bank reconciliations.

Lack of written guidance on how to prepare, review, and approve bank reconciliations increases the risk of fraud and errors occurring without timely detection.

5. We recommend that Creative Saskatchewan give staff written guidance for preparing and approving bank reconciliations.

4.6 Clear Processes for Journal Entries Needed

Creative Saskatchewan does not have written processes setting out its expectations for the preparation and approval of journal entries (changes to the accounting records).

Creative Saskatchewan routinely uses journal entries to record its financial activities in its accounting records.

During the year, we found journal entries were not always independently reviewed and approved, and did not always include supporting documentation.

Lack of written guidance for preparing and approving journal entries prior to recording the transaction, increases the risk of fraud, and mismanagement of funds. It also increases the risk of undetected errors and unsupported amounts being recorded in the financial statements. This is because staff may change the accounting records inappropriately and without proper authorization the changes may not be detected timely.

6. We recommend that Creative Saskatchewan give staff written guidance for preparing and approving journal entries.

4.7 Order in Council Obtained

We recommended that Creative Saskatchewan obtain an Order in Council prior to providing financial assistance where the amount exceeds $250,000 in a fiscal year to a single individual or corporation. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

Creative Saskatchewan has put a process in place to obtain Orders in Council for financial assistance (e.g., grants) when the amount exceeds $250,000 in a fiscal year to a single individual or corporation.

4.8 Loss of Public Money

During an employee's business trip to London, England, a laptop belonging to Creative Saskatchewan was stolen. The laptop had a value of approximately $1,300. The matter was referred to the London Police.

The Ministry of Finance publicly reports certain losses of money and property belonging to the Government. The Ministry does not require Creative Saskatchewan to report such losses to it. As a result, the Ministry of Finance did not report the laptop loss in its quarterly loss reports to the public.

Chapter 5
Education

1.0 MAIN POINTS

This chapter reports the results of the 2015 annual audits of the Ministry of Education (Education), School Division Tax Loss Compensation Fund, Prince of Wales Scholarship Fund, Teachers' Superannuation Plan, and Teachers' Disability Plan.

Education, its two funds, and its two plans complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2014-15 financial statements of the Teachers' Superannuation Plan, the School Division Tax Loss Compensation Fund, and the Prince of Wales Scholarship Fund are reliable.

Education and its two plans had effective rules and procedures to safeguard public resources except Education needs to prepare an information technology strategic plan.

2.0 INTRODUCTION

Education's mandate is to provide leadership and direction to early learning and child care, Kindergarten through Grade 12 education, literacy, and library sectors. Education supports the sectors through funding, governance, and accountability, with a focus on improving student achievement.[1]

At March 31, 2015, about 293 full-time equivalent positions provided services.[2]

2.1 Financial Overview

For the year ended March 31, 2015, Education spent $1.8 billion on its programs and had revenues of $7.5 million. Information about Education's revenues and expenditures appear in its *2014-15 Annual Report*.[3]

Figure 1—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management Services	$ 18.9	$ 19.6
K-12 Education	1,337.8	1,372.0
Early Years	65.6	64.6
Literacy	2.8	2.8
Provincial Library	12.7	12.7

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[1] Ministry of Education, *2014-15 Annual Report*, p. 3.
[2] Ibid., p. 4.
[3] Ibid., p. 23.

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Teachers' Pension and Benefits*	340.1	335.2
Total Appropriation	1,777.9[4]	1,806.9
Capital Asset Acquisitions	(21.1)	(10.1)
Capital Asset Amortization	1.1	0.6
Total Expense	$ 1,757.9	$ 1,797.4

Source: Ministry of Education, *2014-15 Annual Report.*
*The Ministry of Education determines the estimated and actual expenses for teachers' pension and benefits using the cash basis of accounting instead of the accrual basis. For 2014-15, the audited Summary Financial Statements include additional pension and benefits costs for the Teachers' Superannuation Plan of $289.9 million.

2.2 Related Special Purpose Funds and Agencies

At March 31, 2015, Education was responsible for 28 school divisions, and the Teachers' Group Life Insurance Plan each with year ends of August 31, the Teachers' Dental Plan with a year end of June 30, and the following funds and plans:

	Year-End
Funds	
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
Plans	
Teachers' Superannuation Plan	June 30
Teachers' Disability Plan*	June 30

* The Teachers' Disability Plan does not have separate financial statements.

Our *2015 Report – Volume 1* includes the audit results of the school divisions and the Teachers' Group Life Insurance Plan for the year ended August 31, 2014. For our audit results of the Teachers' Dental Plan, see Chapter 29. This chapter includes the audit results for Education and the remaining listed funds and plans.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on or before June 30, 2015:

- **The financial statements for the School Division Tax Loss Compensation Fund, Prince of Wales Scholarship Fund, and Teachers' Superannuation Plan are reliable**
- **Education and its plans had effective rules and procedures to safeguard public resources except the Ministry does not have a complete IT strategic plan**

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[4] The *Estimates* total does not included an additional $43.3 million authorized through the Saskatchewan Supplementary Estimates.

- **Education, its funds, and its plans complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Executive Government Administration Act
The Education Act, 1995
The Education Funding Regulations
The Education Regulations, 1986 (sections 95.4 to 95.7)
The School Division Tax Loss Compensation Fund Administration Regulations
The Child Care Act
The Child Care Regulations, 2001
The Financial Administration Act, 1993
The Public Libraries Act, 1996 (sections 64 and 65)
The Public Libraries Regulations, 1996
The Public Service Act, 1998
The Public Works and Services Act (sections 4 and 8)
The Social Services Administration Act (section 8)
The Teachers' Life Insurance (Government Contributory) Act
The Teachers' Life Insurance Regulations
The Teachers' Superannuation and Disability Benefits Act
The Teachers' Superannuation and Disability Benefits Regulations
The Teachers' Dental Plan Act
The Pension Benefits Act, 1992
The Pension Benefits Regulations, 1993
The Pension Benefits Standards Regulations, 1985 (Canada)
Income Tax Act (Canada) (sections 147.1, 147.2, and 147.3)
Income Tax Regulations (Canada) (sections 8501-8504, 8512, 8514, 8520)
The Crown Employment Contracts Act
Orders in Council issued pursuant to the above legislation

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Education's and the plans' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit of Education included assessing the design and effectiveness of Education's control activities relating to grants, which comprise approximately 97% of its total expenses. Our audits of its funds included assessing the accuracy and reasonableness of revenues and appropriateness of expenses. Our audits of its plans included confirming the existence and value of their investments and assessing the reasonableness of their benefit obligations and related benefit payments.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 IT Strategic Plan Needed

We recommended the Ministry of Education prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

Status – Partially Implemented

Education continues to work on developing an information technology (IT) strategic plan. Education advised that it intends to have a draft IT strategic plan for Executive Committee approval in January 2016.

An IT strategic plan would help ensure IT resources and IT initiatives appropriately support Education's strategic direction. Also, it would help management determine if it has addressed the threats and risks to Education's computer systems and data.

4.2 Certain IT Controls Improved

We recommended that the Ministry of Education follow its established procedures for user access to its systems and data. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

Status – Implemented

In 2014-15, Education consistently followed its processes for promptly removing user access to its computer systems from individuals who were no longer in its employ.

We recommended the Ministry of Education monitor the effectiveness of the Ministry of Central Services' security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – Implemented

In 2014-15, Education received reports from the Ministry of Central Services outlining known security issues including Education IT systems no longer supported by vendors. This information helps Education to make decisions about the security of its information technology systems.

4.3 Pension Contributions Verified

We recommended that the Ministry of Education check the accuracy of its contributions to the Saskatchewan Teachers' Retirement Plan on a periodic basis. (2014 Report – Volume 2; Public Accounts Committee agreement June 18, 2015)

Status – Implemented

Education pays the Government (employer) contributions to the Saskatchewan Teachers' Retirement Plan (STRP) as required by section 43 of *The Teachers Superannuation and Disability Benefits Act* (Act). In 2014-15, Education paid STRP contributions totalling $85.1 million (2013-14: $73.5 million) based on monthly billings from the Saskatchewan Teachers' Federation (STF).

In 2014-15, Education, using information STF provided on how it calculated the amounts billed, started performing monthly reasonability analysis of contributions for STRP before Education paid the bill.

4.4 Capital Funding Agreements with School Divisions Improved

We recommended that the Ministry of Education enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support the Ministry's expenses. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented

During 2014-15, Education worked with school divisions and the ministries of Finance and Justice to draft a capital funding agreement template. This agreement template includes sufficient terms and conditions to allow Education and school divisions to properly understand the capital grants and to appropriately account for them in accordance with Canadian generally accepted accounting principles. Education and school divisions began using this new agreement template before the end of 2014-15.

4.5 Shared Ownership Agreements Transferred

We recommended that the Ministry of Education follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements. (2013 Report – Volume 2; Public Accounts Committee agreement June 17, 2014)

Status – Partially Implemented – assets transferred to the Ministry of Central Services

As described in our *2014 Report – Volume 2*, Chapter 6, in our view, the Ministry had not been following Canadian generally accepted accounting principles for the public sector (GAAP) when accounting for assets constructed under the contractual agreements for certain capital projects with seven school divisions. The Ministry refers to these as "shared ownership agreements."

In 2014-15, construction anticipated under these agreements was completed, and school divisions continued to properly capitalize assets constructed under those agreements. Also in 2014-15, the Ministry transferred to the Ministry of Central Services[5] almost $72 million of capital assets based on the amounts it had capitalized for those same assets.

In August 2015, Treasury Board, after consultations with the Ministry of Finance and further consideration of this matter, decided to support school divisions' accounting for these assets to align with the views of their auditors. At August 2015, Treasury Board had not directed the Ministry to change its accounting for these assets. Because the Ministry and school divisions are both part of the Government, how the Ministry accounts for these assets does not affect the accuracy of the Government's Summary Financial Statements.

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[5] Per section 7 of *The Public Works and Services Act*, all property within Saskatchewan that has been constructed, and are not assigned to any other minister or ministry by law are to remain under the control of the Minister of Central Services.

4.6 Accounting Treatment of Certain Funding for Repayment of Capital Loans Resolved

We recommended that the Ministry of Education properly record capital grants to school divisions in its financial records. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2014)

Status – No Longer Relevant given no impact on the Government's Summary Financial Statements

As described in our *2014 Report – Volume 2*, Chapter 6, we reported that Education had not been following GAAP when accounting for funding provided to school divisions to enable them to repay the principal and interest due on certain loans for capital projects. Our Office refers to these as "constructive obligations." In March 2014, the Government changed its financial reporting focus to the Summary Financial Statements and no longer requires the preparation and audit of the General Revenue Fund financial statements. The Government's Summary Financial Statements enable monitoring of the Government's management of the Government's finances, including those related to education. Because Education and school divisions are both part of the Government, how Education accounts for the grants does not affect the accuracy of the Government's Summary Financial Statements.

Under its current funding model, Education decides, each year, the amount of funding for annual principal and interest on school division loans for capital projects to include as part of its estimated grants to school divisions. This estimate forms part of Education's annual appropriation that is included in the *Estimates*. The *Estimates* are prepared consistent with Treasury Board's expectations (as reflected in the *Financial Administration Manual*).

Education records the grants to school divisions on the same basis as it determines amounts in the *Estimates*. For 2014-15, grants to school divisions included about $21 million for amounts related to annual principal repayments and interest. Recording grants on the same basis as the *Estimates* are determined enables Education to provide comparative financial information (budget to actual) in its annual report.

Chapter 6
eHealth Saskatchewan

1.0 MAIN POINTS

eHealth Saskatchewan's (eHealth) financial statements for the year ended March 31, 2015 are reliable. eHealth complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. eHealth had effective rules and procedures to safeguard public resources except it needs to:

- Verify the existence of its capital assets
- Reconcile its bank accounts regularly
- Segregate incompatible duties of staff responsible for processing payments and record keeping
- Promptly authorize requests for changes to its accounting records
- Promptly remove unneeded user access to its information technology network
- Establish and test its disaster recovery plan

2.0 INTRODUCTION

Cabinet established eHealth through an Order in Council under *The Crown Corporations Act, 1993*.[1] The mandate of eHealth is to lead the provincial planning and strategy for the Saskatchewan electronic health record (EHR). It is responsible for procuring, implementing, owning, operating, and managing the EHR and other health information systems (e.g., the associated provincial components and infrastructure) to facilitate improved health provider and patient access and use of electronic health information. Also, eHealth is responsible for establishing the provincial health information and technology standards necessary to access the EHR and the associated provincial components and infrastructure.[2]

Also, eHealth provides the Ministry of Health, Saskatchewan Cancer Agency (SCA), and the twelve regional health authorities (RHAs) with some critical information technology (IT) services and operates a data centre. eHealth is the Ministry of Health's, SCA's, and the RHAs' primary disaster recovery provider.

In 2014-15, eHealth had revenues of $83.8 million (2013-14: $78.6 million) including grants of $72.9 million from the Ministry of Health (2013-14: $67.8 million), expenses of $99.7 million (2013-14: $91.7 million) and an annual deficit of $15.9 million (2013-14: $13.1 million). At March 31, 2015, it had net financial assets of $1.9 million (2014: $11.9

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[1] Saskatchewan Health Information Network (SHIN) was established as a Treasury Board Crown Corporation by Order in Council 581/1997. SHIN was renamed eHealth Saskatchewan by Order in Council 734/2010.

[2] *Saskatchewan Provincial Budget 14-15 Estimates*; p. 167.

million) and tangible capital assets of $37.7 million (2014: $44.8 million). Most of its tangible capital assets relate to computer network hardware and system development costs.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **eHealth had effective rules and procedures to safeguard public resources except for items described in this chapter**
- **eHealth complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  eHealth's governing Orders in Council
  The Crown Corporations Act, 1993
  The Financial Administration Act, 1993
  The Executive Government Administration Act
  The Vital Statistics Act
  Regulations and Orders in Council issued pursuant to the above legislation

- **eHealth's financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of eHealth's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2015 audit, we examined the effectiveness of eHealth's financial-related controls used to administer the revenues, expenses, and assets identified in **Section 2.0**. eHealth's significant expenses include professional fees, software maintenance, salary and benefits, and amortization of tangible capital assets. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Capital Asset Verification Needed

eHealth has not verified the existence of its capital assets and reconciled the assets to its accounting records.

Regular verification of capital assets helps management confirm that assets exist and that its accounting records are accurate. Management indicated that eHealth plans to verify the existence of its capital assets by March 31, 2016.

1. **We recommend that eHealth Saskatchewan regularly verify the existence of its capital assets and reconcile to its accounting records.**

4.2 Timely Bank Reconciliations Needed

Staff did not prepare monthly bank reconciliations on a timely basis. Rather, staff only started to prepare the reconciliations for the 2014-15 fiscal year on March 23, 2015 and completed them on May 14, 2015.

Preparing timely bank reconciliations verifies the accuracy of accounting records and helps identify irregularities or errors. Lack of timely bank reconciliations increases the risk of errors, inaccurate financial records, and loss of public money without timely detection.

Also, eHealth uses the *Financial Administration Manual* (FAM) as guidance for its accounting policies and procedures. FAM requires agencies to reconcile their accounting records to their bank records (i.e., bank reconciliations) each month.

2. **We recommend that eHealth Saskatchewan require staff to reconcile each of its bank accounts monthly.**

4.3 Segregation of Incompatible Duties Needed

eHealth has not segregated key staff functions. Certain individuals can create vendors, enter invoices, and produce cheques without approval.

eHealth gave these individuals incompatible duties when it implemented a new accounting system in 2014-15. In general, key incompatible duties that eHealth should segregate include the custody of assets (e.g., cash), authorization or approval of related transactions affecting those assets, and recording or reporting of related transactions. Inadequate segregation of incompatible duties increases the risk of errors and misappropriation without timely detection.

3. **We recommend that eHealth Saskatchewan adequately segregate duties assigned to employees responsible for processing payments and record keeping.**

4.4 Disaster Recovery Plan Needed

We recommended that eHealth Saskatchewan have an approved and tested disaster recovery plan for systems and data. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

Status – Not Implemented

eHealth continues to not have a complete and tested disaster recovery plan (DRP). Its DRP does not address the Ministry of Health's, SCA's, and the RHAs' requirements for recovery of their systems and data located in eHealth's data centre (such as the Personal Health Registration System, Provincial Lab Systems, and Hospital Claims Reciprocal Billing system).

The ability of the Ministry, SCA, and the RHAs to recover their systems and data depends on the adequacy of eHealth's recovery plan. Without such a plan, eHealth, the Ministry, SCA, and the RHAs may not be able to restore their systems and data in the event of a catastrophic IT event at eHealth's data centre.

4.5 Changes to Accounting Records Need Timely Approval

We recommended that eHealth Saskatchewan approve all requests for changes to accounting records (journal entries) before changing its accounting records. (2012 Report – Volume 2; Public Accounts Committee agreement May 12, 2014)

Status – Not Implemented

Although eHealth required management to review and approve all journal entries, we found that 12 out of 30 journal entries that we tested were not reviewed and approved on a timely basis. For example, two entries for approximately $400 thousand each for weekly payroll electronic funds transfer were entered into the financial records but not approved for over a year.

Lack of timely review and approval of journal entries increases the risk of fraud and errors in the financial records without timely detection.

4.6 Timely Removal of User Access to IT Systems and Data Needed

We recommended that eHealth Saskatchewan follow its processes to remove unneeded user access to its IT systems and data promptly. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

We found 3 out of 18 individuals that we tested continued to have access to eHealth's network up to eight months after their last day of employment.

Not promptly removing access to systems and data increases the risk of inappropriate access to its systems and data.

Chapter 7
Environment

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Environment (Environment), the Fish and Wildlife Development Fund (Fund), and the Water Appeal Board (Board) for the year ended March 31, 2015.

Environment, the Fund, and the Board complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2014-15 financial statements of the Fund and the Board are reliable.

Environment and the Board had effective rules and procedures to safeguard public resources except Environment needs to follow procedures to remove unneeded user access to its systems and data promptly. During 2014-15, Environment implemented two previous recommendations we made relating to business continuity planning and recording the cost of inventory items.

2.0 INTRODUCTION

Environment is responsible for working with Saskatchewan stakeholders to protect the province's air, land and natural resources to achieve a high environmental standard and support sustainable development in the use of these resources.[1]

At March 31, 2015, Environment was responsible for the Fish and Wildlife Development Fund (a special purpose fund) and the Water Appeal Board.

2.1 Financial Overview

For the year ended March 31, 2015, Environment spent $150.0 million (2014: $158.5 million) including net capital acquisitions of $5.5 million (2014: $9.6 million). Environment had revenue of $53.3 million (2014: $58.8 million) from licenses and permit fees for fishing, hunting, and forestry, non-refundable deposits on beverage containers, and fire suppression cost-sharing agreements. In addition, Environment raised revenue and incurred expenses through the Fish and Wildlife Development Fund and forest management funds.[2]

Information about Environment's revenues and expenditures appear in its *2014-15 Annual Report*.[3] **Figure 1** presents Environment's expenses by major program.

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[1] Saskatchewan Ministry of Finance, *2014-15 Saskatchewan Provincial Budget: Estimates*, p.49.

[2] Operators who harvest timber in the province are required to pay fees into a forest management fund and are due to the Ministry of Environment based on harvest amounts. These funds are monitored by the Ministry of Environment.

[3] http://environment.gov.sk.ca/ministry-overview/ (30 September 2015).

Figure 1—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	$ 16.6	$ 15.3
Climate Change	2.8	0.9
Landscape Stewardship	4.0	3.5
Environmental Support	3.3	2.4
Fish and Wildlife	10.4	10.0
Compliance and Field Services	17.0	16.8
Environmental Protection	41.1	39.9
Forest Services	12.3	10.9
Wildfire Management	54.1	50.3
Total Appropriation	161.6	150.0
Capital Asset Acquisitions	(6.5)	(5.5)
Capital Asset Amortization	9.0	9.5
Non-Spending Control Items*	-	0.4
Total Expense	$ 164.1	$ 154.4

Source: *2014-15 Ministry of Environment Annual Report.*
* This number represents the change in inventory and prepaid expenses.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **Environment and the Water Appeal Board had effective rules and procedures to safeguard public resources, except Environment needs to remove user access promptly**
- **Environment, the Fish and Wildlife Development Fund, and the Water Appeal Board complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Environmental Management and Protection Act, 2002
The Mineral Industry Environmental Protection Regulations, 1996
The Executive Government Administration Act
The Ministry of Environment Regulations, 2007
The Financial Administration Act, 1993
The Fisheries Act (Saskatchewan), 1994
The Fisheries Regulations
The Forest Resources Management Act
The Forest Resources Management Regulations
The Litter Control Act
The Litter Control Designation Regulations
The Natural Resources Act
The Prairie and Forest Fires Act, 1982
The Provincial Lands Act
The Provincial Lands Regulations
The Crown Resource Land Regulations
The Public Service Act, 1998
The Purchasing Act, 2004
The State of the Environment Report Act
The Water Appeal Board Act
The Water Security Agency Act (section 84)
The Wildlife Act, 1998
The Wildlife Regulations, 1981
The Wildlife Habitat Protection Act
Orders in Council issued pursuant to the above legislation

- **The financial statements of the Fish and Wildlife Development Fund and the Water Appeal Board are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Environment's and the Water Appeal Board's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit included examining the effectiveness of Environment's and the Water Appeal Board's financial-related controls used to administer their spending, their revenues, and their various assets consistent with related authorities. In addition, we examined the effectiveness of the controls Environment and the Water Appeal Board used to keep reliable financial records, prepare reliable reports, and safeguard the Crown lands that Environment administers. This year, we paid particular attention to the following areas for Environment:

- Revenue reconciliation from the Beverage Container Collection and Recycling program
- Payment processes including the operating grant to the Fish and Wildlife Development Fund and the Water Appeal Board
- Inventory for wildfire management
- Environmental liabilities for contaminated sites
- Lease, licence, and permit revenues

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Timely Removal of User Access Needed

We recommended that the Ministry of Environment follows its established procedures and remove unneeded user access to systems and data promptly. (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Partially Implemented

As reported in our *2014 Report – Volume 2*, Environment had established procedures for the removal of unneeded user access to its computer systems and data (i.e., properly completing the employee termination checklist). In October 2014, Environment revised its user access monitoring processes to include reviewing terminations weekly and subsequently requesting user access termination where requests had not been received.

However, for 5 out of 10 user accesses we tested after the revised monitoring processes were put into place, user access was not removed promptly. For one of the items tested, Environment requested the removal of network access 26 days after the last day of employment.

Not removing unneeded user access to its system promptly increases the risk of inappropriate access to systems and data.

4.2 Business Continuity Plan Prepared

We recommended that the Ministry of Environment prepare a complete business continuity plan. (2006 Report – Volume 3; Public Accounts Committee agreement March 7, 2007)

Status – Implemented

During the year, Environment completed its business continuity plan and began to test it. Environment plans to periodically review and test the plan, and make changes as determined necessary.

4.3 Cost of Inventory Items Recorded

We recommended that the Ministry of Environment follow its established policies over recording the cost of inventory items in its inventory records. (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

At March 31, 2015, Environment held total inventory (e.g., airplane parts) of $23.5 million. During the year, Environment implemented processes for regularly monitoring its inventory records. For items we tested, inventory records were complete and items were valued appropriately.

Chapter 8
Finance

1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Finance (Finance) and six agencies with March 31 year-ends. Finance and these agencies complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2014-15 financial statements of each of the agencies are reliable. Finance and these agencies had effective rules and procedures to safeguard public resources except for the matters noted in this chapter.

Finance administers resource surcharge revenues. In order to ensure it records these revenues in the proper period, Finance needs to complete its development and implementation of a more accurate reporting model for these revenues.

Finance did not require one of its information technology (IT) service providers, the Ministry of Central Services (Central Services), to annually confirm, through testing, whether or not Central Services could recover Finance's critical systems and data in the event of a disaster. Also, Finance did not follow its processes to promptly remove unneeded user access to its IT systems and data.

We also found that Finance did not publically report planned and actual rates of returns on sinking fund investments.

During 2014-15, Finance completed documentation of its key treasury management procedures.

2.0 INTRODUCTION

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- Administering and collecting provincial taxes
- Arranging government financing, banking, investing, and borrowing
- Administering certain public sector pension and benefit plans
- Receiving revenues from taxation and transfers
- Controlling spending from approved appropriations
- Maintaining Ministry-wide revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (called MIDAS Financials)

Providing information, advice, and analysis on:

- Government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions related to the core government operations
- Strategic policy on matters related to public sector compensation and management or collective bargaining
- Financial management and accounting
- Annual performance planning, measuring, and reporting processes[1]

2.1 Special Purpose Funds and Agencies

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Growth and Financial Security Fund and the General Revenue Fund)[2] provide the Legislative Assembly with audited financial statements; some also provide an annual report.

This chapter reports the results of our annual audits of the Ministry of Finance and agencies with March 31 year-ends.

Figure 1—Agencies with March 31 Year-End

General Revenue Fund (GRF)[3]	Growth and Financial Security Fund
Judges of the Provincial Court Superannuation Plan	Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan	Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund	Water Security Agency Retirement Allowance Plan

Figure 2—Agencies with December 31 Year-End

Extended Health Care Plan	Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees	Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission	Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund	Public Employees Dental Fund
Public Employees Disability Income Fund	Public Employees Group Life Insurance Fund
Saskatchewan Government Insurance Service Recognition Plan	Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan	Saskatchewan Power Corporation Severance Pay Credits Plan
Saskatchewan Water Corporation Retirement Allowance Plan	SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan	

2.2 Financial Overview

As shown in **Figures 3** and **4**, for the year ended March 31, 2015, Finance administered revenues of $8.7 billion (2014: $8.7 billion), and expenses of $0.6 billion (2014: $0.7

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[1] *Ministry of Finance Annual Report for 2014-15.*

[2] These Funds do not prepare financial statements and are not legally required to do so. The financial results of these funds are included in the Government's Summary Financial Statements.

[3] The General Revenue Fund is comprised of all Ministries of the Government. It is the fund into which all revenues are paid unless otherwise provided for by law and from which all expenses are appropriated by the Legislative Assembly.

billion). It managed gross public debt[4] of $12.7 billion (2014: $11.9 billion) and investments in sinking funds[5] of $1.6 billion (2014: $1.7 billion).[6]

Figure 5 compares actual expenses to budget by object. Finance's annual report explains significant differences between actual and estimated revenues and expenses.[7]

Figure 3—Revenue by Major Type

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Taxation	$ 6,160.2	$ 5,878.1
Non-renewable Resources – Resource Surcharge	449.1	474.5
Transfers from Government Entities	723.1	718.7
Other Own-source Revenue	261.5	277.5
Transfers from the Federal Government	1,412.1	1,398.2
Total	**$ 9,006.0**	**$ 8,747.0**

Source: *Ministry of Finance Annual Report for 2014-15.*

Figure 4—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Public service pension and benefits*	$ 301.4	$ 291.7
Revenue division	28.8	27.7
Research and development tax credit	15.0	15.0
Provincial comptrollers	11.6	9.6
Central management and services	6.5	6.4
Budget analysis	5.4	5.2
Treasury and debt management	2.3	2.1
Personnel policy secretariat	0.5	0.5
Miscellaneous	0.1	0.1
Total Appropriation – Vote 18	**$ 371.6**	**$ 358.3**
Capital asset acquisitions	(2.2)	(0.0)
Amortization of capital assets	0.7	0.6
Total Expense – Vote 18	**$ 370.1**	**$ 358.9**
Debt servicing appropriation and expense – vote 12	285.0	263.4
Total Expense	**$ 655.1**	**$ 622.3**

Source: *Saskatchewan Provincial Budget 14-15 Estimates* (vote 12 and 18); *Ministry of Finance Annual Report for 2014-15*; Ministry of Finance 2014-15 financial records.

*Finance determines the estimated and actual expenses for public service pension and benefits using the cash basis of accounting instead of the accrual basis. For 2014-15, the audited Summary Financial Statements include a reduction in pension and benefits costs for defined pension and benefit plans sponsored by the Ministry of Finance of $178.80 million.

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[4] Gross public debt is borrowings through the issuance of debt instruments such as promissory notes and debentures.

[5] Investments in sinking funds are investments set aside for the repayment of debt.

[6] Government of Saskatchewan Summary Financial Statements – *Public Accounts 2014-15 Volume 1*, Schedule 8, p. 63.

[7] *Ministry of Finance Annual Report for 2014-15*.

Figure 5—Expenses by Object

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Debt servicing	$ 285.0	$ 263.4
Salaries and benefits (includes pensions)	326.3	315.5
Transfers – operating	15.0	15.0
Goods and services	28.1	27.8
Capital asset amortization	0.7	0.6
Total Expense	$ 655.1	$ 622.3

Source: *Saskatchewan Provincial Budget 14-15 Estimates* (vote 12 and 18); Ministry of Finance 2014-15 financial records.

3.0 AUDIT CONCLUSIONS AND SCOPE

To complete our audit of the Public Employees Pension Plan, our Office worked with Deloitte LLP, the appointed auditor. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[8]

In our opinion, for the year ended March 31, 2015:

- **Finance and its agencies had effective rules and procedures to safeguard public resources except for the matters related to Finance reported in this chapter**
- **Finance and its agencies complied with the authorities set out in Exhibit 5.1 governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **Each agencies[9] financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Finance's and the agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of Finance and the agencies' financial-related controls used to administer revenues and expenses, to keep reliable financial records, and to prepare reliable financial reports.

Finance estimates income tax and resource surcharge revenues. We assessed its processes to assess, estimate, collect, and record these revenues. Finance also administers the GRF's bank accounts, short- and long-term debt, and short- and long-term investments (including investments in sinking funds). We assessed its processes to record and manage cash (including its bank reconciliation procedures and the opening and closing of bank accounts), buy and sell investments, and obtain and repay debt. Also, because Finance relies on its computer systems to manage its operations, we assessed its controls over key IT service providers, security, change management processes, and user access. We assessed Finance's processes to request proposals and select a vendor for a new revenue system as part of its Revenue Administration Modernization Project (RAMP).

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[8] See our website at www.auditor.sk.ca.

[9] Both the General Revenue Fund and the Growth and Financial Security Fund do not prepare financial statements and are not legally required to do so. *Public Accounts – Volume 2* includes information on these funds.

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2015, Cabinet approved, through Orders in Council (special warrants), spending of $87.7 million; the Legislative Assembly later approved these amounts through appropriation acts.

4.0 KEY FINDINGS AND RECOMMENDATIONS

We did not identify any new control deficiencies. In this section, we outline key observations from our assessments, and highlight actions taken on and status of previous recommendations.

4.1 Revenue Estimation Processes Improving

We recommended that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter. (2011 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Partially Implemented

As reflected in **Figure 3**, 2014-15 resource surcharge revenue was $474.5 million (2014: $436.9 million).

During 2014-15, Finance continued developing more accurate reporting models for uranium, potash, and oil and gas resource surcharge revenues. It developed and tested, using seven prior years' of data, a preliminary model for estimating uranium and potash resource surcharge revenues. It determined that this model provides reliable estimates with minimal estimation errors. By August 2015, it has not yet used this model to estimate and record resource surcharge revenue.

Finance also developed and tested several models to estimate resource surcharge revenues for oil and gas during 2014-15. It determined none of the models provided reliable results (i.e., significant estimation errors resulted) and that further work was needed. It expects an estimation model will require testing over several fiscal years to ensure the model produces reliable estimates. It plans to continue this work in 2015-16.

Without effective processes to estimate and record revenues each quarter, future financial statements of the Government may contain significant errors.

4.2 Prompt Determination of Disaster Recovery Requirements Needed

We recommended that the Ministry of Finance confirm, in writing, processes and policies that the Information Technology Office (ITO)[10] uses to address its specific information technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Ministry of Finance as necessary. (2006 Report – Volume 3; Public Accounts Committee agreement March 13, 2007)

Status – Partially Implemented

To monitor whether the Ministry of Central Services fulfills its IT security and disaster recovery requirements, Finance routinely meets with Central Services staff. It receives and reviews reports on IT security (e.g. user access, firewalls, intrusion detection) to assess whether its systems and data are secure and available.

However, we found that Finance and Central Services do not always resolve identified disaster recovery issues on a timely basis. For example, by August 2015, Finance had not determined how it plans to respond to Central Services' 2011-12 notice that Central Services was unable to conclude whether it could fully recover one of Finance's systems in the event of a disaster.[11] Also, Finance does not know if Central Services is capable of recovering its other critical IT systems hosted by Central Services. From 2013 to 2015, Finance and its other service providers did conduct successful disaster recovery tests on its main revenue system and its MIDAS financials system.

Also at August 2015, Finance does not have an agreement with Central Services that sets out the expected frequency of disaster recovery testing of Finance's systems and sharing of the results of such tests with Finance. Finance indicated that it plans to integrate disaster recovery testing requirements into its Memorandum of Understanding with Central Services during 2015-16.

Not requiring timely testing of disaster recovery plans and promptly resolving issues arising from the results of such tests increases the risk that Finance's critical systems (e.g., debt system, investment system) and data may not be available to provide services in the event of a disaster.

4.3 Need to Follow Established Procedures for Removing User Access Promptly

We recommended that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly. (2010 Report – Volume 2; Public Accounts Committee agreement May 18, 2011)

Status – Partially Implemented

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[10] Effective May 2012, the Information Technology Office (ITO) was disestablished as a separate Ministry and became the Information Technology Division of the Ministry of Central Services.

[11] The Ministry of Central Services last performed disaster recovery tests on some of Finance's IT systems that it hosts in 2011-12.

Staff continue not to consistently follow Finance's established procedures for removing unneeded user access promptly even though Finance has taken steps to improve its procedures and monitoring. Finance expects unneeded user access to its systems and data to be removed within one day of an employee's last day of employment.

In 2014-15, we found 8 out of 22 instances where user access to the network was not removed promptly (i.e., 2 to 339 days after last day of employment) (2013-14: 9 instances out of 18 where access removed 3 to 294 days after last day of employment).

If unneeded user access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the systems and data.

4.4 Improved Reporting on Performance of Investments in Sinking Funds Needed

We recommended that the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds. (2009 Report – Volume 1; Public Accounts Committee agreement June 25, 2010)

Status – Not Implemented with respect to reporting publicly on performance of investments in sinking funds

At March 31, 2015, the Government's investments in sinking funds of $1.6 billion accounts for almost 15% of its total financial assets. **Figure 6** provides a description of investments in sinking funds.

Figure 6—Explanation of Investments in Sinking Funds and their Purpose

Investments in sinking funds are money the Government sets aside to repay its long-term debt.

Finance's main investment objective is to make sure sufficient resources are available in the sinking funds to retire debt when due. As such, when making sinking fund investment decisions, Finance considers the expected investment returns on sinking funds, risk of the investments, and desired time horizon of the investments (i.e., maturity date).

Finance invests in fixed-income securities (like provincial bonds and debentures), and short-term interest-bearing investments with staggered maturity dates. Finance holds these investments until it needs cash to repay debt. If it does not have sufficient cash from investments that recently matured, it sells some of them.

Traditionally, Cabinet has required Finance to invest amounts equal to not less than 1% of the long-term borrowings owed by the General Revenue Fund each year. Starting in 2015-16, Finance expects this requirement to double to 2% for debt pertaining to the Saskatchewan Builds Capital Plan.[a]

Source: Ministry of Finance.
[a] Standing Committee on Crown and Central Agencies, Hansard Verbatim Report No. 45 – April 22, 2015, p. 631.

Although Finance actively monitors the performance of its investment in sinking funds,[12] public information on such performance remains limited as compared to The Canadian Public Sector Accounting Board's *Statement of Recommended Practice on Financial Statement Discussion and Analysis* (FSD&A).[13] This Statement of Recommended Practice suggests governments include an analysis of the rates of return on investments

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[12] Finance continued to regularly compare actual investment income to budget, and use market-based benchmarks (based on the FTSE TMX Canada Mid-Term Government Bond Index) to assess the reasonableness of returns earned on its sinking fund investments. Quarterly reports, provided to senior management, included comparisons of actual returns to the FTSE TMX index and actual investment income to budget along with reasons for differences.

[13] The Canadian Public Sector Accounting Board provides governments with best practices for information to include in their financial statement discussion and analysis.

(e.g., comparison of planned rate of return to actual with explanations for significant differences) to further the understanding of the nature and magnitude of resources available to the government.

Currently, the Provincial Budget includes forecasted investment income as compared to budget (i.e., $152.1 million forecast for 2014-15 compared to $117.8 budget).[14] Investment income is comprised of sinking fund earnings along with other investment income. The Budget does not disclose the amount of each of these components or planned rate of return.

The Government's Summary Financial Statements disclose information about its investments in sinking funds as set out in **Figure 7**. The Summary Financial Statements also includes total actual investment income (i.e., $137.4 million for 2014-15; $191.3 million for 2013-14)[15] including $83.1 million of earnings from sinking fund investments (2013-14: $63.9 million). However, neither the Summary Financial Statements nor accompanying financial statement discussion and analysis disclose the actual rate of return on sinking fund investments.

Figure 7—Information about Investments in Sinking Funds in Summary Financial Statements

	Actual 2014	Actual 2015
	(in millions)	
Investments in Sinking Funds at March 31	$ 1,733.6	$ 1,614.1
Market value of Investments in Sinking Funds at March 31	1,663.3	1,637.9
Contributions to Sinking Funds in year	98.3	105.4
Redemptions of Sinking Funds in year	284.9	345.0
Sinking Fund Earnings in year	63.9	83.1
Gains on sales of investment sales (included in Sinking Fund Earnings)	23.1	55.4

Source: Government of Saskatchewan Summary Financial Statements – *Public Accounts 2014-15 Volume 1*, Schedule 8 and *Public Accounts 2013-14 Volume 1*, Schedule 9 (audited financial statements).

Not making public planned and actual rates of returns on sinking fund investments increases the risk that legislators and the public will not know whether Finance did a good job managing the Government's significant investments in sinking funds. While other Canadian provincial governments were not yet providing this information for their investments in sinking funds, some provincial crown corporations do provide this information for their investments. For example, SGI and SaskAuto Fund publishes information in its annual report to enable legislators and the public to assess its performance in managing its investments.

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[14] *Saskatchewan Provincial Budget 15-16*, p. 78.

[15] Government of Saskatchewan Summary Financial Statements – *Public Accounts 2014-15 Volume 1*, Schedule 13, p. 68.

4.5 Key Treasury Management Procedures Documented

We recommended that the Ministry of Finance documents its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover. (2009 report – Volume 1; Public Accounts Committee agreement June 25, 2010)

Status – Implemented

During 2014-15, Finance documented promissory note procedures in conjunction with its implementation of phase 1 of its new debt management IT system. It also documented procedures over the destruction of securities, and set out user access roles for its debt management IT systems. Finance made its key treasury management procedures available to staff via its intranet and in print. It plans to further update its treasury management procedures in 2015-16 in conjunction with its planned implementation of phases 2 and 3 of its new debt management IT system.

5.0 EXHIBIT

5.1 Summary of Relevant Legislation

Finance:
The Executive Government Administration Act (effective August 15, 2014)[16]
The Ministry of Finance Regulations, 2007
The Corporation Capital Tax Act
The Corporation Capital Tax Regulations, 1984
The Federal-Provincial Agreement Act (repealed August 15, 2014)
The Financial Administration Act, 1993
The Fuel Tax Act, 2000
The Fuel Tax Regulations, 2000
The Growth and Financial Security Act
The Income Tax Act, 2000
The Insurance Premiums Tax Act
The Liquor Consumption Tax Act
The Motor Vehicle Insurance Premiums Tax Act
The Provincial Sales Tax Act
The Provincial Sales Tax Regulations
The Revenue and Financial Services Act
The Revenue Collections Administration Regulations
The Tobacco Tax Act, 1998
The Tobacco Tax Regulations, 1998
Orders in Council issued pursuant to the above legislation

Public Employees Pension Plan:
The Executive Government Administration Act
The Public Employees Pension Plan Act
The Public Employees Pension Plan Regulations
The Superannuation (Supplementary Provisions) Act
The Pension Benefits Act, 1992
The Pension Benefits Regulations, 1993
The Pension Benefits Standards Regulations, 1985 (Canada)
The Income Tax Act (Canada) (sections 147.1, 147.2, and 147.3)
The Income Tax Regulations (Canada) (sections 8501-8505, 8512, 8514)
Orders in Council issued pursuant to the above legislation

Saskatchewan Pension Annuity Fund:
The Saskatchewan Pension Annuity Fund Act
The Saskatchewan Pension Annuity Fund Regulations
The Pension Benefits Act, 1992
The Pension Benefits Regulations, 1993
The Pension Benefits Standards Regulations, 1985 (Canada)
The Financial Administration Act, 1993
The Trustee Act, 2009
Orders in Council issued pursuant to the above legislation

Judges of the Provincial Court Superannuation Plan:
The Executive Government Administration Act
The Financial Administration Act, 1993
The Pension Benefits Standards Regulations, 1985 (Canada) (Schedule III)
The Provincial Court Act, 1998
The Provincial Court Compensation Regulations
The Provincial Court Pension Plan Regulations
The Pension Benefits Act, 1992
The Pension Benefits Regulations, 1993
The Income Tax Act (Canada) (sections 147.1, 147.2, and 147.3)
The Income Tax Regulations (Canada) (sections 8501-8504, 8512, 8514, and 8520)
The Superannuation (Supplementary Provisions) Act, (section 36.2)
Orders in Council issued pursuant to the above legislation

Public Employees Benefits Agency Revolving Fund:
The Executive Government Administration Act
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation

Public Service Superannuation Plan:
The Executive Government Administration Act
The Public Service Superannuation Act
The Superannuation (Supplementary Provisions) Act
The Superannuation Acts Uniform Regulations
The Pension Benefits Act, 1992
The Income Tax Act (Canada) (sections 147.1, 147.2, and 147.3)
The Income Tax Act Regulations (Canada) (sections 8501-8505, 8512, 8514, and 8520)
Orders in Council issued pursuant to the above legislation

Water Security Agency Retirement Allowance Plan:
The Financial Administration Act, 1993 (section 64)
The Crown Employment Contracts Act (section 8)
Orders in Council issued pursuant to the above legislation
Water Security Agency Retirement Allowance Plan Document

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[16] *The Government Organization Act* was repealed August 15, 2014.

Chapter 9
Government Relations

1.0 MAIN POINTS

This chapter contains the results of our 2014-15 annual audit of the Ministry of Government Relations (Ministry). The Ministry complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

During 2014-15, the Ministry had effective rules and procedures to safeguard public resources except that it needs to give staff guidance for analyzing and taking action on issues arising from its monitoring of the 2002 Gaming Framework Agreement. It also needs to remove unneeded user access to its computer systems and data promptly.

2.0 INTRODUCTION

The Ministry is responsible for municipal relations, public safety, and for First Nations, Métis, and northern affairs.[1] Its responsibilities include coordinating, developing, promoting, and implementing policies and programs related to cities, municipalities (urban, rural, northern), and matters of an inter-municipal nature. These responsibilities include policies and programs related to:

- Community planning, development, and diversification of cities and municipalities
- Joint ventures related to municipalities
- Administrative and technical advice provided to administrators/councils to support the effective and efficient operation of municipal governments
- Community facilities
- Local government elections

Also, the Ministry is responsible for coordinating, developing, promoting, and implementing policies:

- With respect to matters affecting First Nations and Métis peoples
- To foster and advance development in northern Saskatchewan
- For emergency management, disaster assistance, fire commissioner services, and building accessibility and other safety standards
- For public safety (e.g., safety standards for boilers, pressure vessels, and gas equipment and installations)[2]

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[1] www.saskatchewan.ca/government/government-structure/ministries/government-relations (24 July 2015).

[2] *The Ministry of Government Relations Regulations*.

2.1 Financial Overview

For the year ended March 31, 2015, the Ministry had revenues of $178.6 million (including $161.9 million from the federal government) and expenses of $572.3 million.

The following lists the Ministry's expenses by major programs. For further details see the Ministry's *2014-15 Annual Report* available on its website.[3]

Figure 1—Expenses by Major Program

	Estimates 2014-15*	Actual 2014-15
	(in millions)	
Central Management and Services	$ 10.3	$ 9.1
First Nations and Métis Engagement	80.2	82.6
Municipal and Northern Engagement	363.8	358.8
Saskatchewan Municipal Board	1.8	1.7
Public Safety	10.2	119.2
Total Appropriation	466.3	571.4
Capital Asset Acquisitions	(2.2)	(1.6)
Amortization of Capital Assets	2.6	2.5
Total Expense	$ 466.7	$ 572.3

Source: *Ministry of Government Relations 2014-15 Annual Report.*
*The Ministry obtained additional funding through supplementary estimates of $118.8 million.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The Ministry had effective rules and procedures to safeguard public resources except as described in this chapter**
- **The Ministry complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Assessment Management Agency Act
The Assessment Management Agency Regulations
The Cities Act
The Crown Employment Contracts Act
The Executive Government Administration Act (effective August 15, 2014)
The Financial Administration Act, 1993
The Government Organization Act (to August 15, 2014)
The Government Organization Exemption Regulations
The Indian and Native Affairs Act
The Ministry of Government Relations Regulations
The Métis Act
The Municipalities Act
The Municipal Boards Act
The Municipal Grants Act
The Municipal Grants Regulations
The Northern Municipalities Act, 2010
The Provincial Disaster Assistance Program Regulations, 2011
The Public Services Act, 1998
The Purchasing Act, 2004
The Rural Affairs Act
The Saskatchewan Gaming Corporation Act (Part III.01, and III.1)
The Saskatchewan Natural Resources Transfer Agreement (Treaty Land Entitlement) Act
The Urban Affairs Act
2002 Gaming Framework Agreement
Orders in Council issued pursuant to the above legislation

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[3] www.saskatchewan.ca/government/government-structure/ministries/government-relations (11 September 2015).

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2014-15 audit, we examined the effectiveness of the Ministry's financial-related controls used to administer the expenses listed in **Figure 1**, its revenues, and its contractual obligations. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

Because the Ministry receives significant federal funding for various municipal programs and provides significant grants to municipalities, we paid particular attention to the Ministry's controls for managing grant payments to municipalities. This included assessing its processes for awarding grants, approving grant payments, and monitoring municipalities' compliance with federal and provincial funding agreements. Also, the Ministry provides significant financial assistance to individuals and organizations for provincial disaster claims and expects to receive significant reimbursements from the federal government for a portion of the amount it pays. We examined the Ministry's controls over managing disaster claims and recovering amounts from the federal government, including processes for making and recording significant accounting estimates.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Better Guidance for Monitoring the 2002 Gaming Framework Agreement Needed

The Ministry did not have a formal, documented process to analyze and take action when potential issues arise from its monitoring of the 2002 Gaming Framework Agreement (Agreement).

In accordance with the Agreement and *The Saskatchewan Gaming Corporation Act* (for the First Nations Trust [FNT]), the Ministry provides funding annually to the FNT and six Community Development Corporations (CDCs) based on profits earned by Saskatchewan casinos. In 2014-15, the Ministry provided them with $77.0 million in funding (FNT received $55.8 million and in total CDCs received $21.2 million). The Agreement requires the FNT and CDCs to use these funds for specific purposes.[4,5]

The Agreement sets out key accountability reports that the FNT and CDCs are to give the Ministry (e.g., annual reports, audit reports on compliance with the Agreement). Also, the Agreement allows the Government to appoint an ex-officio member to the CDC Boards. The Ministry has appointed a staff member to act as the ex-officio member of each CDC Board. By using the accountability reports and participating as a member of the CDC Boards, we expected the Ministry to monitor the activities of the FNT and

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[4] The First Nations Trust Indenture (an appendix to the Agreement) sets the following eligible purposes for FNT grants: economic development, social programs, justice initiatives, education and education facilities, the development and operation of recreational facilities, senior and youth programs, cultural and spiritual development, the development and maintenance of community infrastructure, health initiatives, governance activities, treaty protection, and any other charitable purpose.

[5] The Agreement sets the following eligible purposes for CDC grants: economic development, social development, justice initiatives, educational development, recreational facilities operation and development, senior and youth programs, cultural development, community infrastructure development and maintenance, health initiatives, and other charitable purposes.

CDCs to determine whether they are complying with the Agreement and distributing funds for the specified purposes. We expected the Ministry to analyze significant issues as the Ministry becomes aware of them (e.g., significant audit findings in FNT or CDCs audit reports) and determine required actions based on established criteria (e.g., setting out when to issue communications, when to withhold funding).

We found that Ministry staff received and reviewed key accountability reports from the FNT and CDCs (e.g., annual reports, audit reports, etc.) and periodically attended Board meetings. Ministry management indicated that staff analyze issues as they become aware of them (e.g., where the FNT or a CDC may have made payments that do not clearly meet purposes outlined in the Agreement, significant control weaknesses or errors have been identified by FNT or CDC auditors). However, management has not established a formal process to guide staff when potential issues arise. We expected that such a process would include guidance to help staff determine which issues require analysis, conduct and document analysis, decide on the appropriate action to take, and determine when to elevate issues to senior management.

In 2014-15, management became aware of issues that the auditor of a CDC raised during the CDC's 2013-14 audit (e.g., making payments for guests for out-of-province travel to later be reimbursed, lack of appropriate approval of numerous transactions). Management stated that they analyzed these issues and determined that no further action was required. However, they could not provide us with documented analysis or criteria used to determine that no further action was required.

Also, as disclosed in the Federation of Saskatchewan Indian Nations' (FSIN)[6] 2013-14 audited financial statements, the FSIN Assembly authorized payments from the FNT whereby the FSIN will annually receive up to $2.5 million to support its normal operations starting in 2015-16.[7] The Ministry became aware of this arrangement in 2014-15. Because this was a new arrangement involving ongoing large annual payments, we expected the Ministry to determine whether such payments would be eligible under the Agreement (i.e., whether they fit within specific purposes outlined in the Agreement). Management indicated that it had consulted with the FNT on this issue and concluded that these payments would be eligible. However, the Ministry was unable to provide documented analysis supporting its conclusion that the proposed payments to support the FSIN's normal operations was for a permitted purpose and hence allowed for under the Agreement.

Without a formal, documented process, the Ministry may not be able to show it sufficiently monitors the Agreement. Without adequate monitoring, there is increased risk that the FNT or CDCs may inappropriately distribute funds or make payments for purposes not intended by the Agreement.

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[6] The FSIN is a beneficiary of the FNT and is entitled to apply for funding from the FNT, and in some cases to direct payments to be made, as long as the payment is for a permitted purpose under the 2012 Gaming Framework Agreement.

[7] Federation of Saskatchewan Indians, Inc., *Financial Statements March 31, 2014*, p. 5. www.fsin.com/images/stories/fsindownloads/communications/financial_statements/FSIN%20March%2031,%202014%20Audit%20FINAL.pdf (1 October 2015).

1. **We recommend that the Ministry of Government Relations provide guidance to staff for analyzing and taking action on issues arising from its monitoring of the 2002 Gaming Framework Agreement.**

4.2 Timely Removal of User Access Needed

We recommended that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly. (2012 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

Status – Partially Implemented

In January 2015, the Ministry implemented a new process requiring staff to notify the Corporate Services branch upon becoming aware of upcoming staff changes. This would allow the Ministry to make timely requests for the removal of unneeded user access to its IT systems and data. However, the new process did not operate effectively.

We found two out of five instances (2013-14: seven out of 10 instances) where unneeded network access was not removed promptly (i.e., 2 to 11 days after last day of employment) (2013-14: 2 to 93 days after last day of employment). Also, the Ministry's monitoring of its new process found that, between January and March 2015, unneeded network access was not removed promptly for 13 of 20 employees who left the employ of the Ministry during that period.

Chapter 10
Health

1.0 MAIN POINTS

The Ministry of Health (Ministry) and five of its agencies reported in this chapter complied with authorities governing their activities. Each of these agencies' 2015 financial statements are reliable. The Ministry and those agencies had effective rules and procedures to safeguard public resources except for the two matters related to the Ministry.

First, the Ministry needs to develop a capital asset plan for the over $1.4 billion of capital assets used in Saskatchewan's healthcare system. The Ministry is the primary funder of capital assets in the healthcare system. A sector-wide capital plan would facilitate a coordinated approach to the funding and renewal of capital assets so that Saskatchewan healthcare agencies, like regional health authorities, have the assets they need to deliver services to citizens.

Second, the Ministry needs to follow its established procedures for promptly removing unneeded user access to its computer systems and data. Lack of compliance with the established procedures increases the risk of inappropriate access to confidential information (like health services card numbers).

2.0 INTRODUCTION

The Ministry provides provincial oversight for the health care system. It is responsible for providing leadership for the health sector on strategic policy, allocation of funding, and monitoring and enforcing health standards.

It oversees and funds a healthcare system that includes 12 regional health authorities (RHAs), Saskatchewan Cancer Agency (SCA), Athabasca Health Authority,[1] affiliated health care organizations, and health professionals. The Ministry assists RHAs, SCA, and other stakeholders in recruiting and retaining healthcare providers, including nurses and physicians.[2] In addition, it administers key health programs such as the Saskatchewan Medical Care Insurance Plan and the Saskatchewan Prescription Drug Plan.

2.1 Financial Overview

For the year ended March 31, 2015, the Ministry had revenues of $15.5 million including $6.7 million transfers from the Federal Government.[3] As reflected in **Figure 1**, the Ministry spent about $5.0 billion to deliver its programs and services.[4] Information about the Ministry's revenues and expenses appears in its annual report.[5]

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[1] The Athabasca Health Authority operates under an agreement between the province, Canada, and six northern First Nations. The Ministry funds the Authority for acute care expenses.

[2] Ministry of Health, *2014-15 Annual Report*, p. 6.

[3] Ibid., p. 48.

[4] Ibid., p. 46-47.

[5] See www.finance.gov.sk.ca/PlanningAndReporting/2014-15/2014-15HealthAnnualReport.pdf (10 September 2015).

Figure 1—Expenses by Major Programs

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	$ 12.9	$ 10.7
Regional Health Services	3,477.6[a]	3,509.5
Provincial Health Services	226.6	230.0
Medical Services and Medical Education Programs	880.7	850.7
Drug Plan and Extended Benefits	371.7	368.2
Early Childhood Development	11.0	11.0
Provincial Infrastructure Projects	43.3	59.3
Total Appropriation	5,023.8[b]	5,039.4
Capital Asset Acquisition	(58.2)	(60.2)
Non-Appropriated Expense Adjustment	5.4	2.4
Total Expense	$ 4,971.0	$ 4,981.6

Source: Ministry of Health, *2014-15 Annual Report*.
[a] Includes $51.1 million for facilities and equipment capital transfers.
[b] Health received additional funding of $14.5 million in 2014-15 through 2014-15 Supplementary Estimates – March. www.finance.gov.sk.ca/budget2015-16/FinanceSuppEstimatesMarch2014-15.pdf (7 October 2015).

2.2 Related Special Purpose Funds and Crown Agencies

At March 31, 2015, the Ministry was responsible for the following special purpose funds and Crown agencies (agencies). We have reported the results of our audits of agencies in blue font in the chapter number identified. We report the results of agencies with a December 31 year-end in our *2015 Report – Volume 1*.

Year-End March 31
Twelve Regional Health Authorities[6] (Chapters 17 and 19)
eHealth Saskatchewan (Chapter 6)
Health Quality Council
Health Shared Services Saskatchewan (3sHealth)
North Sask. Laundry & Support Services Ltd. (Chapter 31)
Physician Recruitment Agency of Saskatchewan
Saskatchewan Association of Health Organizations Inc. (SAHO)
Saskatchewan Cancer Agency (Chapter 22)
Saskatchewan Health Research Foundation
Saskatchewan Impaired Driver Treatment Centre Board of Governors (Chapter 24)

Year-End December 31
3sHealth, Disability Income Plan – C.U.P.E
3sHealth, Disability Income Plan – S.E.I.U. – West
3sHealth, Disability Income Plan – S.U.N.
3sHealth, Disability Income Plan – General
3sHealth, Core Dental Plan
3sHealth, In-Scope Extended Health/Enhanced Dental Plan
3sHealth, Out-of-Scope Extended Health/Enhanced Dental Plan
3sHealth, Group Life Insurance Plan

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[6] See Chapter 19 – Regional Health Authorities for a listing of Regional Health Authorities.

This chapter reports the results of our audits of the Ministry and the remaining five agencies with a March 31 year-end.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The Ministry and its five agencies had effective rules and procedures to safeguard public resources except for the matters relating to the Ministry reported in this chapter**

- **The Ministry and its five agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Drug Plan Medical Supplies Regulations
  The Saskatchewan Assistance Plan Supplementary Health Benefits Regulations
  The Executive Government Administration Act
  The Ministry of Health Regulations, 2007
  The Financial Administration Act, 1993
  The Financial Administration Manual
  The Health Administration Act
  The Health Facilities Licensing Act
  The Health Facilities Licensing Regulations
  The Special-care Home Rates Regulations
  The Mental Health Services Act
  The Prescription Drugs Act
  The Prescription Drugs Regulations, 1993
  The Public Health Act, 1994
  The Purchasing Act, 2004
  The Regional Health Services Act
  The Regional Health Services Administration Regulations
  The Saskatchewan Medical Care Insurance Act
  The Saskatchewan Medical Care Insurance Beneficiary and Administration Regulations
  The Medical Care Insurance Payment Regulations, 1994
  The Medical Care Insurance Peer Review Regulations
  The Crown Corporations Act, 1993
  The Health Quality Council Act
  An Act to Incorporate Saskatchewan Health-Care Association
  The Saskatchewan Health Research Foundation Act
  Orders in Council issued pursuant to the above legislation

- **The financial statements of each of the five agencies reported in this chapter are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of the Ministry's and its agencies' financial-related controls for administering revenue and expenses, keeping reliable financial records and preparing reliable financial reports.

We also examined the Ministry's significant programs including medical services, drug plan and extended benefits, provincial health services, capital planning, and its processes for contract management, and supervision of regional health authorities.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Timely Removal of User Access Needed

The Ministry requires staff to request eHealth Saskatchewan removal of user access on the day an individual leaves the Ministry's employment. The Ministry did not consistently follow its procedures for promptly removing unneeded user access to its computer systems and data.

We found the Ministry had not promptly requested removal of unneeded user access for 9 out of 26 of the individuals we tested. For example, the Ministry did not request removal of network access for one user until 70 days after the individual left the Ministry's employ.

Without following its established procedures for requesting removal of user access, the Ministry is exposed to the risk of inappropriate access to confidential information (e.g., personal details about health information, health services card numbers).

1. **We recommend that the Ministry of Health follow its established procedures for removing unneeded user access to its computer systems and data promptly.**

4.2 Capital Asset Plan Not in Place

We recommended that the Ministry of Health develop a capital asset plan to help ensure that it can carry out its strategic plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 30, 2004)

Status – Not Implemented

Saskatchewan's healthcare system uses over $1.4 billion of capital assets (e.g., buildings and equipment) to deliver healthcare in the province.

The Ministry does not have a capital asset plan. As management indicated to the Standing Committee on Public Accounts on September 17, 2015, the Ministry is in the process of developing a multi-year capital asset plan. It expects to complete the plan by June 2016.

Lack of a capital asset plan increases the risk that the healthcare system may not have the capital assets it needs to deliver the services citizens require, or that it may have idle capital assets that it could use at some other location. A long-term capital asset plan for the Ministry would also help RHAs prepare their own capital asset plans.

4.3 Shared Ownership Agreements Accounting Treatment Being Resolved

We recommended that the Ministry of Health follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements. (2013 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Partially Implemented

As described in our *2014 Report – Volume 2*, Chapter 11, the Ministry had not been following Canadian generally accepted accounting principles for the public sector (GAAP) when accounting for assets constructed under contractual agreements for certain projects with seven RHAs. The Ministry refers to these as "shared ownership agreements."

At March 31, 2015, the Ministry's accounting records included $172 million of capital assets based on amounts it had capitalized for assets held by the seven RHAs.

In August 2015, Treasury Board, after consultations with the Ministry of Finance and further consideration of this matter, decided to support regional health authorities' in changing accounting for these assets to align with the views of their auditors. At August 2015, Treasury Board had not directed the Ministry to change its accounting for these assets. Because the Ministry and regional health authorities are both part of the Government, how the Ministry accounts for these assets does not affect the accuracy of the Government's Summary Financial Statements.

4.4 Accounting Treatment of Certain Funding for Debt Repayment Resolved

We recommended that the Ministry of Health follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding provided to regional health authorities for the repayment of principal and interest due on loans and the related liabilities. (2013 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – No Longer Relevant given no impact on the Government's Summary Financial Statements

As described in our *2014 Report – Volume 2*, Chapter 11, we reported that the Ministry had not been following GAAP when accounting for funding provided to RHAs to enable them to repay the principal and interest due on certain long-term debt. Our Office refers to these as "constructive obligations." In March 2014, the government changed its financial reporting focus to the Summary Financial Statements and no longer requires the preparation and audit of the General Revenue Fund financial statements. The Government's Summary Financial Statements enable monitoring of the Government's management of the Province's finances, including those related to health. Because the Ministry and RHAs are both part of the Government, how the Ministry accounts for the grants does not affect the accuracy of the Government's Summary Financial Statements.

Under its current funding model, the Ministry decides, each year, the amount of funding for annual principal and interest on certain RHA long-term debt to include as part of its estimated grants to RHAs. This estimate forms part of the Ministry's annual appropriation that is included in the *Estimates*. The *Estimates* are prepared consistent with Treasury Board's expectation (as reflected in the Financial Administration Manual).[7]

The Ministry records the grants to RHAs on the same basis as it determines amounts in the *Estimates*. For 2014-15, grants to RHAs include about $7 million for amounts related to annual principal repayments and interest. Recording grants on the same basis as the *Estimates* are determined enables the Ministry to provide comparative financial information (budget to actual) in its annual report.

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[7] Government Transfers Application Guidance PSAB Section 3410.

Chapter 11
Highways and Infrastructure

1.0 MAIN POINTS

During 2014-15, the Ministry of Highways and Infrastructure (Ministry) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2014-15 financial statements of the Fund are reliable. The Ministry had effective rules and procedures to safeguard public resources except Ministry staff do not always ensure unneeded access of former employees to its computer systems is removed promptly. Not following these established processes makes the Ministry's data and systems vulnerable to inappropriate access.

2.0 INTRODUCTION

This chapter reports on the results of our annual audit of the Ministry and the Fund.

The mission of the Ministry is to "provide a safe, reliable transportation system that supports Saskatchewan's growth economy and quality of life. The Ministry strives to deliver innovative sustainable infrastructure to serve the needs of their customers."[1]

The Ministry manages and provides for the future development of an integrated provincial transportation system. Infrastructure investments are guided by strategic policy and by incorporating operating and maintenance practices to promote the safe and efficient movement of people and goods.[2]

The Ministry is responsible for managing the provincial transportation system which includes more than 26,000 kilometers of highways, 737 bridges, 17 airports in northern Saskatchewan, 12 ferries, and one barge.[3]

2.1 Financial Overview

As of March 31, 2015, the Ministry's infrastructure had a net book value of about $3.0 billion. As shown in **Figure 1**, the Ministry spent $461.5 million in 2014-15. Also, in 2014-15, the Ministry had revenues of $34.7 million including transfers from the Federal Government of $28.0 million. The Ministry's annual report explains significant differences between estimated and actual revenues and expenses.

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[1] Ministry of Highways and Infrastructure, *2014-15 Annual Report*, p.3.
[2] Ibid., p.3.
[3] Ibid., pp. 3 and 4.

Figure 1—Expenses by Major Programs

	Estimates 2014-15*	Actual 2014-15
	(in millions)	
Central Management and Services	$ 18.4	$ 16.9
Strategic Municipal Infrastructure	36.5	36.9
Operation of Transportation System	88.0	102.9
Preservation of Transportation System	144.5	158.3
Transportation Policy and Programs	3.3	3.4
Infrastructure and Equipment Capital	373.8	373.8
Total Appropriation	664.5	692.2
Capital Asset Acquisitions	(373.8)	(391.7)
Capital Asset Amortization	143.6	143.3
Total Ministry Expense	$ 434.3[4]	$ 443.8
Reinstatement of 2013-14 Frozen Carryover Funding*	24.8	17.9
Custom Work Net Recovery	0.0	(0.2)
Total Expense	$ 459.1	$ 461.5

Source: *2014-15 Annual Report Ministry of Highways & Infrastructure*.
* The Ministry accessed $17.9M of 2013-14 carryover funding to deliver capital projects.

The Ministry is also responsible for the Transportation Partnerships Fund (Fund). The Fund's financial statements are tabled separately in the Legislative Assembly.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The Ministry had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **The Ministry and the Fund complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Highways and Transportation Act, 1997
  The Railway Line (Short Line) Financial Assistance Regulations
  The Short Line Railway Financial Assistance Regulations
  The Ministry of Highways and Infrastructure Regulations, 2007
  The Public Works and Services Act
  The Executive Government Administration Act
  The Financial Administration Act, 1993
  The Purchasing Act, 2004 and Regulations
  Orders in Council issued pursuant to the above legislation

- **The Fund's financial statements are reliable**

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[4] The Ministry of Highways and Infrastructure received additional funding of $28.[illegible] million in 2014-15 through *2014-15 Supplementary Estimates – March*. www.finance.gov.sk.ca/budget2015-16/FinanceSuppEstimatesMarch2014-15.pdf (8 October 2015).

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our audit, we examined the effectiveness of the Ministry's financial-related controls used to administer its spending listed in **Figure 1**, its revenues, and its infrastructure and other assets. Also, we examined the effectiveness of its controls to keep reliable financial records, prepare reliable financial reports, and safeguard the transportation system.

Because of the Ministry's extensive use of contractors in the maintenance and construction of its highways and bridges, we paid particular attention to the Ministry's controls over managing its contracts. This included assessing its processes for awarding, approving, and adjusting contracts; retaining appropriate security and holdbacks; approving estimates; obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before final payments; and tracking its related contractual obligations.

Also, because the Ministry relies on its computer systems to manage its contracts and the transportation system, we assessed key service level agreements, change management processes, and user access controls related to those key systems.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Promptly Remove Unneeded User Access

We recommended that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

Status – Partially Implemented

Although the Ministry has established procedures to remove unneeded user access to its computer systems and data, it did not always follow them. As in our prior audits, we found former employees' access to the Ministry's computer systems was not removed in a timely manner. Seven out of ten individuals we examined, did not have their network access removed promptly (removed in a range of 2 days to over 60 days). We also found that five individuals' access to MIDAS applications was not removed in a timely manner.

As a result, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data.

4.2 IT Service Level Agreement Finalized

We recommended that the Ministry of Highways and Infrastructure sign an adequate agreement with the Ministry of Central Services (formerly the Information Technology Office) that addresses the Ministry's disaster recovery and security needs over its computer systems. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

Status – Implemented

In 2014-15, the Ministry and the Ministry of Central Services completed and signed a memorandum of understanding that addressed the Ministry's disaster recovery and security needs. The Ministry also began receiving an annual security report and a comprehensive risk report from the Ministry of Central Services.

4.3 Process Followed for Processing Final Timecards

We recommended that the Ministry of Highways and Infrastructure follow its established procedures for processing final timecards of employees who leave the employment of the Ministry. (2012 Report – Volume 2; Public Accounts Committee agreement April 16, 2014)

Status – Implemented

During 2014-15, the Ministry followed established procedures for processing the final timecards of employees that left the employment of the Ministry. We found no exceptions in our testing of the Ministry payroll processing.

Chapter 12
Justice

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Justice (Ministry), its agencies, and special purpose funds for the year ended March 31, 2015.

The Ministry, its agencies, and special purpose funds complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2014-15 financial statements of its agencies and special purpose funds are reliable.

The Ministry and its agencies had effective rules and procedures to safeguard public resources except the Ministry needs to improve its information technology (IT) processes by preparing and testing its disaster recovery plans, and ensuring unneeded user access to its computer systems and data is removed on a timely basis.

2.0 INTRODUCTION

The Ministry of Justice's mandate is to provide a fair justice system that upholds the law, promotes safe and secure communities, and provides legal and justice policy advice to the Government.[1]

2.1 Financial Overview

For the year ended March 31, 2015, the Ministry spent $564.6 million on its programs. For 2014-15, the Ministry also had revenues totalling $160.1 million[2] comprised primarily of fines, fees, and transfers from federal and municipal governments.

Figure 1—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	$ 48.8	$ 49.4
Courts and Civil Justice	59.4	62.8
Legal and Policy Services	33.6	33.8
Community Safety Outcomes	16.4	15.2
Community Justice	20.9	20.6
Boards and Commissions	28.3	28.1
Custody, Supervision and Rehabilitations Services	158.4	160.9

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[1] *Ministry of Justice, 2014-15 Annual Report*, p. 5.

[2] Ibid., p. 34.

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Policing	190.2	189.6
Saskatchewan Police Commission	1.5	1.4
Major Capital Projects	37.7	33.3
Total Appropriation	595.2[3]	595.1
Capital Asset Acquisitions	(37.7)	(32.8)
Non-Appropriated Expense Adjustment	1.3	2.3
Total Expense	$ 558.8	$ 564.6

Source: *Ministry of Justice, 2014-15 Annual Report*, p. 32-33.

2.2 Related Special Purpose Funds and Crown Agencies

The Ministry was responsible for the following special purpose funds and Crown agencies each with a March 31 year-end:

Special Purpose Funds (funds)
Correctional Facilities Industries Revolving Fund
Criminal Property Forfeiture Fund
Law Reform Commission of Saskatchewan
Office of Residential Tenancies – Director's Trust Account
Provincial Mediation Board Trust Accounts
Queen's Printer Revolving Fund
Victims' Fund

Crown Agencies (agencies)
Financial and Consumer Affairs Authority of Saskatchewan
Public Guardian and Trustee of Saskatchewan
Saskatchewan Legal Aid Commission

The Public Guardian and Trustee of Saskatchewan is reported separately in Chapter 15. This chapter reports the results for the Ministry of Justice, the funds, and the remaining two agencies.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The Ministry and its agencies had effective rules and procedures to safeguard public resources except for the information technology (IT) matters reported in this chapter**

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[3] The Ministry of Justice received approval of additional funding of $4.6 million in 2014-15 through *2014-15 Supplementary Estimates – March*. www.finance.gov.sk.ca/budget2015-16/FinanceSuppEstimatesMarch2014-15.pdf (8 October 2015).

- **The Ministry, its agencies, and its funds complied with the authorities, listed in Exhibit 5.1, governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **The financial statements of the Ministry's agencies and funds are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's and its agencies controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We paid particular attention to the Ministry's financial-related controls for the courts and civil justice, adult corrections, young offender programs, and policing and community safety.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Monitoring IT Security

We recommended that the Ministry of Justice (formerly the Ministry of Justice and Attorney General) adequately monitor the security of its information technology systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement February 2, 2010)

Status – No Longer Relevant, see recommendations in **Sections 4.2** and **4.3** for the remaining weaknesses.

Since 2011, the Ministry and the Ministry of Central Services (Central Services) have had a memorandum of understanding (MOU) regarding the IT services that Central Services provides. The MOU includes the Ministry's IT security and specific disaster recovery requirements. The MOU requires Central Services to provide the Ministry with regular reports to help it monitor the services provided.

In 2014-15, the Ministry received reports from Central Services about security services provided, including a new annual report outlining known security issues. Also, the Ministry regularly discussed security issues with Central Services. This information helps the Ministry to make decisions about the security of its IT systems.

4.2 Disaster Recovery Requirements Needed

The MOU between the Ministry and Central Services also includes the Ministry's disaster recovery requirements. However, per the MOU, the Ministry is responsible to work with Central Services to ensure that adequate recovery services are in place that align with the Ministry's service delivery needs (i.e., test the effectiveness of disaster recovery plans).

The Ministry did not receive reports from Central Services on disaster recovery requirements and had not tested disaster recovery plans for its critical systems (e.g., Criminal Justice Information Management System). It also had not determined how it plans to respond to the risk that Central Services may not be able to recover its critical systems and data in the event of a disaster.

Not preparing and testing the effectiveness of disaster recovery plans increases the risk that the Ministry's critical systems may not be available in the event of a disaster.

1. **We recommend that the Ministry of Justice prepare and test its disaster recovery plans for its critical information technology systems.**

4.3 Timely Removal of User Access Needed

The Ministry needs to follow its procedures for ensuring only authorized individuals have access to its computer systems and data.

The Ministry did not request timely removal of access to its financial and payroll systems for 9 out of 10 individuals we tested. One user did not have their access removed until 74 days after the individual left the Ministry's employ. Additionally, the Ministry did not request timely removal of network access for 8 out of 10 of the individuals we tested. In five instances, users did not have access removed until between 257 and 385 days after the individual left the Ministry's employ.

Unless the Ministry follows its established procedures for removing unneeded user access, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data. As a result, the Ministry is exposed to the risk of loss of public money and inappropriate access to confidential information (e.g. details about inmates or banking information about individuals collecting support payments).

2. **We recommend that the Ministry of Justice follow its established procedures for removing unneeded user access to its computer systems and data.**

5.0 EXHIBIT

5.1 Legislation—Summary of Relevant Authorities

Justice
The Administration of Estates Act
The Administration of Estates Regulations
The Correctional Services Act
The Correctional Services Trust Account Regulations
The Department of Justice Act
The Community Justice Programs Regulations
The Enforcement of Maintenance Orders Act, 1997
The Enforcement of Maintenance Orders Regulations, 2009
The Executive Government Administration Act
The Financial Administration Act, 1993
The Police Act, 1990
The Police Regulations
The Provincial Court Act, 1998
The Provincial Court Compensation Regulations
The Public Service Act, 1998
The Purchasing Act, 2004
The Queen's Bench Act, 1998
The Queen's Bench Regulations
The Summary Offences Procedures Act, 1990
The Fine Option Program Regulations, 1991
The Summary Offences Procedures Regulations, 1991
The Victims of Crime Act, 1995
The Victims of Crime Regulations, 1997
The Youth Justice Administration Act
Orders in Council issued pursuant to the above legislation

Law Reform Commission of Saskatchewan
The Law Reform Commission Act
Orders in Council issued pursuant to the above legislation

Office of Residential Tenancies – Director's Trust Account
The Financial Administration Act
The Residential Tenancies Act, 2006
The Executive Government Administration Act
Orders in Council issued pursuant to the above legislation

Provincial Mediation Board Trust Accounts
The Provincial Mediation Board Act
Bankruptcy and Insolvency Act, Part III and X (Canada)
Orderly Payments of Debts Regulations (Canada)
The Executive Government Administration Act
The Tax Enforcement act, 1993
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation

Correctional Facilities Industries Revolving Fund
The Correctional Services Act
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation

Criminal Property Forfeiture Fund
The Seizure of Criminal Property Act, 2009
The Seizure of Criminal Property Regulations, 2009
The Financial Administration Act, 1993
The Executive Government Administration Act
Orders in Council issued pursuant to the above legislation

Financial and Consumer Affairs Authority of Saskatchewan
The Cemeteries Act, 1999
The Collection Agents Act
The Collection Agents Regulations
The Consumer Protection and Business Practices Act
The Direct Sellers Act
The Direct Sellers Regulations, 1997
The Executive Government Administration Act
The Financial and Consumer Affairs Authority of Saskatchewan Act
The Mortgage Brokers and Mortgage Administration Regulations
The Motor Dealers Act
The Motor Dealers Regulations, 1997
The Payday Loans Act
The Payday Loans Regulations
The Pension Benefits Regulations, 1993
The Saskatchewan Insurance Act
The Saskatchewan Insurance Regulations, 2003
The Securities Act, 1998
The Securities Regulations
The Trust and Loan Corporations Act, 1997
The Trust and Loan Corporations Regulations, 1999
Orders in Council issued pursuant to the above legislation

Queen's Printer Revolving Fund
The Executive Government Administration Act
The Financial Administration Act, 1993
The Purchasing Act, 2004
The Queen's Printer Act
The Queen's Printer Fees Regulations, 2004
Orders in Council issued pursuant to the above legislation

Saskatchewan Legal Aid Commission
The Legal Aid Act
The Legal Aid Regulations, 1995
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation

Victims' Fund
The Executive Government Administration Act
The Financial Administration Act, 1993
The Victims of Crime Act, 1995
The Victims of Crime Regulations, 1997
Criminal Code (s. 737 Victims Surcharge) (Canada)
Orders in Council issued pursuant to the above legislation

Chapter 13
Parks, Culture and Sport

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Parks, Culture and Sport (PCS), and seven of its agencies for the year ended March 31, 2015.

The 2014-15 financial statements for the seven agencies are reliable. Also, PCS and the seven agencies complied with governing authorities and had effective rules and procedures to safeguard public resources except that PCS needs to follow its procedures to remove unneeded computer access promptly.

PCS has addressed our past recommendation by recording the estimated cost to close and remediate landfills.

2.0 INTRODUCTION

The mandate of the Ministry of Parks, Culture and Sport (PCS) is to support, celebrate, and build pride in Saskatchewan with a focus on tourism enhancement, quality of life, and economic growth. It works with diverse groups and communities to enhance the province's cultural, artistic, recreational, and social life; promote excellence in the arts, culture, heritage, and sport; and support a vibrant and growing arts and cultural community. PCS also supports and promotes Saskatchewan tourism, manages Saskatchewan's provincial parks system, conserves ecosystems and cultural resources, and provides recreational and interpretive opportunities for park visitors.[1]

2.1 Financial Overview

For the year ended March 31, 2015, PCS spent $141.5 million (2013-14: $95.1 million) including net capital acquisitions of $13.0 million (2013-14: $11.4 million). Also, PCS raised revenue of $7.9 million (2013-14: $11.9 million) from lottery licensing fees and agreements with the federal government.

Information about PCS' revenues and expenditures appear in its *2014-15 Annual Report*.[2]

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[1] *Saskatchewan Provincial Budget: 2014-15 Estimates*, p.101.

[2] www.finance.gov.sk.ca/PlanningAndReporting/2014-15/2014-15PCSAnnualReport.pdf (25 September 2015).

Figure 1—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management Services	$ 11.5	$ 11.5
Community Initiatives Fund	9.3	9.0
Building Communities	0.5	0.4
Parks	32.4	33.3
Culture	31.8	27.0
Regina Stadium Project	50.0	50.0
Heritage	9.5	9.5
Sport Recreation and Stewardship	4.3	4.1
Capital Commission Operations	6.6	6.4
Total Appropriation	155.9	151.2
Capital Asset Acquisitions	(13.3)	(13.0)
Capital Asset Amortization	3.9	3.3
Total Expense	$ 146.5	$ 141.5

Source: 2014-15 *Ministry of Parks, Culture and Sport Annual Report*.

2.2 Parks, Culture and Sport Agencies

At March 31, 2015, PCS was responsible for the following agencies. We report the results of our audits of agencies in blue font in the chapter number identified.

Commercial Revolving Fund (Chapter 3)
Creative Saskatchewan (Chapter 4)
Saskatchewan Arts Board (Chapter 21)
Saskatchewan Heritage Foundation (Chapter 23)
Community Initiatives Fund
Doukhobors of Canada C.C.U.B. Trust Fund
Saskatchewan Archives Board
Saskatchewan Centre of the Arts
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation
Saskatchewan Snowmobile Fund
Western Development Museum

3.0 AUDIT CONCLUSIONS AND SCOPE

This chapter reports the results of our audits of PCS and the remaining seven agencies with a March 31 year-end.

Our Office worked with Virtus Group LLP, the appointed auditor, to carry out the audit of the Community Initiatives Fund and Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[3]

In our opinion, for the year ended March 31, 2015:

- **PCS and seven of its agencies had effective rules and procedures to safeguard public resources except for the matters related to PCS described in this chapter**

- **PCS and seven of its agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Active Families Benefit Act
  The Archives Act, 2004
  The Culture and Recreation Act, 1993
  The Doukhobors of Canada C.C.U.B. Trust Fund Act
  The Economic and Co-operative Development Act
  The Executive Government Administration Act
  The Film Employment Tax Credit Act
  The Financial Administration Act, 1993
  The Interprovincial Lotteries Act, 1984
  The Meewasin Valley Authority Act
  The Multiculturalism Act
  The Natural Resources Act
  The Parks Act
  The Public Service Act, 1998
  The Purchasing Act, 2004
  The Regional Parks Act, 1979
  The Saskatchewan Centre of the Arts Act, 2000
  The Saskatchewan Gaming Corporation Act (Part IV) – Community Initiatives Fund
  The Snowmobile Act
  The Wakamow Valley Authority Act
  The Wanuskewin Heritage Park Act, 1997
  The Wascana Centre Authority Act
  The Western Development Museum Act
  Regulations and Orders in Council issued pursuant to the above legislation

- **The financial statements of the seven agencies are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of controls used by PCS and the seven agencies. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2014-15 audit, we examined the effectiveness of PCS and the seven agencies financial-related controls used to administer their spending, revenues and key assets. This included examining the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports. We paid particular attention to PCS's financial controls over operating transfers, controls over key computer systems (e.g., camping permits), and its oversight of the lottery system.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Landfill Remediation Estimates Recorded

We recommended that the Ministry of Parks, Culture and Sport record, in its accounting records, the estimated cost for closure and post closure care of landfills located in the provincial parks. (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

Status – Implemented

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[3] See our website at www.auditor.sk.ca.

In 2014-15, PCS estimated the costs related to closing activities for landfills it is responsible to remediate as $1.6 million (2013-14: $1.6 million) and recorded this amount as a liability in its accounting records.

4.2 Timely Removal of User Access Needed

We recommended that the Ministry of Parks, Culture and Sport follow its established procedures and promptly remove unneeded user access to its computer systems and data. (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

Status – Not Implemented

As reported in our *2014 Report – Volume 2*, PCS has established procedures for the removal of unneeded user access to its computer systems and data (e.g., properly completing the employee termination checklist). However, staff did not consistently follow them.

In 2014-15, 4 out of 10 individuals who left PCS that we tested (2013-14: 7 out of 10) did not have their computer network access removed promptly (i.e., removed between 9 and 32 days after their last day of employment).

In 2014-15, we found that one individual, who no longer needed access to MIDAS HR, did not have their access removed promptly. This individual continued to have access to MIDAS HR for 26 days after the individual left the Ministry's employ.

Not removing user access of former employees increases the risk of inappropriate access to PCS's systems and data.

Chapter 14
Prairie Agricultural Machinery Institute

1.0 MAIN POINTS

During 2014-15, the Prairie Agricultural Machinery Institute (PAMI) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2014-15 financial statements of PAMI are reliable.

PAMI had effective rules and procedures to safeguard public resources except that it does not have a documented donation policy.

2.0 INTRODUCTION

PAMI was established under *The Prairie Agricultural Machinery Institute Act, 1999*. PAMI's mission is "to ensure agricultural sustainability and profitability through research, innovation, adaption, and knowledge transfer."[1]

2.1 Financial Overview

As set out in **Figure 1**, in 2014-15, PAMI had revenues of $9.7 million and expenses of $10.1 million.

Figure 1—Revenue and Expenses

	Actual 2014-15	Actual 2013-14
	(in millions)	
Fee for Service Revenue	$ 7.8	$ 10.1
Transfer from the Government of Saskatchewan	1.0	1.0
Transfer from the Government of Manitoba	0.3	0.3
Other Income and Interest Income	0.6	0.5
Total Revenue	9.7	11.9
Saskatchewan Operations	6.4	8.9
Western Beef Development Centre	1.8	1.8
Manitoba Operations	1.5	1.7
Corporate Services	0.4	0.4
Total Expenses	$ 10.1	$ [illegible]8

Source: Audited March 31, 2015 financial statements.

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[1] Prairie Agricultural Machinery Institute, *2014-15 Annual Report*, p.7.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **PAMI's financial statements are reliable**
- **PAMI had effective rules and procedures to safeguard public resources, except PAMI lacks a donation policy**
- **PAMI complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Prairie Agricultural Machinery Institute Act, 1999
The Prairie Agricultural Machinery Institute Regulations, 1999
The Financial Administration Act, 1993
The Crown Employment Contracts Act
Orders in Council pursuant to the above legislation
Minister Orders pursuant to the above Acts

We used the control framework published by CPA Canada to make our judgments about the effectiveness of PAMI's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We focused our audit effort on PAMI's processes to record fee-for-service revenue and associated expenses, forecast its financial activities, and calculate and record work-in-progress and deferred revenue related to contracts.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Clarification of Acceptable Donations Needed

PAMI lacks a donation policy. During the year, an official of PAMI attended a political fundraising dinner where a portion of the ticket price was a political donation.

We noted that this activity is inconsistent with a Treasury Board policy applicable to government ministries and certain other crown agencies (see **Figure 2**). Also, we found PAMI did not have a donation policy that set out the nature of donations that PAMI thinks is appropriate or acceptable.

Figure 2—Extract from Financial Administration Manual 4610 – Contributions (Donations)

The *Financial Administration Manual* (FAM) sets out Treasury Board's policies. Under FAM 4610-Contributions (Donations), ministries and certain government agencies are not to make monetary contributions except as grants that have received Treasury Board approval; and they must not provide gifts in kind. The policy indicates that donations are gifts. [PAMI is not included in the list of certain government agencies.]

Source: www.finance.gov.sk.ca/fam/pdf/4610.pdf (6 October 2015).

Even for organizations with a small number of staff where staff think policies are "understood", written policies provide staff with clear direction on the organization's expectations. Lack of a donations policy increases the risk that PAMI may make donations or undertake activities that are not considered acceptable or an appropriate use of public money.

1. **We recommend that the Prairie Agricultural Machinery Institute develop, for its Board's approval, a policy that defines acceptable donations and approvals necessary when making donations.**

Chapter 15
Public Guardian and Trustee of Saskatchewan

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Public Guardian and Trustee of Saskatchewan (PGT) for the year ended March 31, 2015.

PGT's 2014-15 financial statements are reliable. PGT complied with the authorities governing its activities related to financial reporting, revenue raising, spending, and investing. Other than the need to improve its financial record keeping practices, PGT had effective rules and procedures in place to safeguard public resources.

Our audit found that the individual client records were accurate and complete.

2.0 INTRODUCTION

The Public Guardian and Trustee of Saskatchewan (PGT) operates under *The Public Guardian and Trustee Act* and other provincial statutes. The mandate of PGT is to:

- Protect the property rights of children under the age of 18
- Manage the financial or personal affairs of adults who are incapable of managing those affairs, and estates of deceased persons and missing persons
- Hold and administer unclaimed property[1]

At March 31, 2015, PGT held net assets related to the estates and trusts it administers totalling $217.5 million (2014: $205.0 million). For the fiscal year ended March 31, 2015, PGT had revenue of $47.6 million (2013-14: $43.4 million), client care and maintenance expenses of $23.4 million (2013-14: $21.7 million), and cash distributions to clients, beneficiaries and heirs of $20.2 million (2013-14: $16.6 million).

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **PGT's financial statements are reliable**
- **PGT had effective rules and procedures to safeguard public resources except for the need to improve its financial record keeping practices**
- **PGT complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Administration of Estates Act
  The Administration of Estate Regulations
  The Adult Guardianship and Co-decision-making Act
  The Adult Guardianship and Co-decision-making Regulations
  The Children's Law Act, 1997

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[1] Ministry of Justice, Office of the Public Guardian & Trustee, *Annual Report for 2014-15*, p. 2.

The Dependent's Relief Act, 1996
The Executive Government Administration Act
The Missing Persons and Presumption of Death Act
The Missing Persons and Presumption of Death Regulations
The Pension Benefits Act, 1992
The Pension Benefits Regulations, 1993
The Pension Benefits Standard Regulations 1985 (Canada)
The Public Guardian and Trustee Act
The Public Guardian and Trustee Regulations
The Trustee Act, 2009
Orders in Council issued pursuant to the above legislation

We used the control framework published by CPA Canada to make our judgments about the effectiveness of PGT's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of the financial-related controls PGT used to administer its revenues, expenses, assets, and liabilities. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

4.0 KEY FINDINGS AND RECOMMENDATION

4.1 Changes in Financial Record Keeping Practices Needed

PGT needs to improve its financial record keeping practices.

During 2014-15, PGT recorded some of its financial activities using the cash basis of accounting instead of following Canadian public sector accounting standards (GAAP) (e.g., it did not record how much it owed to or was owed by third parties related to net client assets). Also, contrary to GAAP, PGT did not record separately the amount of client assets acquired and the client assets sold, nor did it determine or record the amount of gains or losses realized on client assets it sold on behalf of families and estates. For the year ended March 31, 2015, the net client assets acquired was $6.8 million (2013-14: $19.2 million).

Also, the 2015 financial statements did not include a statement of cash flows. PGT received and distributed cash throughout the year, and held $6.9 million in cash and due from the General Revenue Fund at year-end.

Using GAAP to record financial activity helps ensure users of the financial reports receive useful and credible information necessary to make decisions. Incorrect or incomplete financial reports could result in inappropriate decisions by those responsible for monitoring operations and management's performance.

1. **We recommend that the Public Guardian and Trustee of Saskatchewan maintain complete and accurate financial records to enable it to prepare complete and accurate financial statements.**

Our audit found that individual client records were accurate and complete.

Chapter 16
Public Service Commission

1.0 MAIN POINTS

In 2014-15, the Public Service Commission (PSC) complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Other than needing to promptly remove unneeded user access to its information technology (IT) systems, PSC had effective rules and procedures to safeguard public resources.

2.0 INTRODUCTION

PSC is the central human resources agency for ministries of the Government of Saskatchewan.[1] It provides leadership and policy direction for the development of a professional public service. PSC delivers human resource services to ministries including staffing, classification of positions, compensation and labour relations, and works with ministries in the delivery of human resource services.[2]

2.1 Financial Overview

Figure 1 outlines PSC's 2014-15 expenses by major program. At March 31, 2015, PSC held tangible capital assets (primarily IT equipment and software and building improvements) with a net book value of $3.0 million.

Figure 1—Expenses by Major Program

	Estimates 2014-15	Actual 2014-15
	(in millions)	
Central Management and Services	$ 5.5	$ 5.5
Human Resource Client Services and Support	14.5	14.7
Corporate Human Resources and Employee Relations	3.3	3.2
Employee Service Centre	11.4	10.6
Total Appropriation	34.7	34.0
Amortization of Capital Assets	1.5	1.4
Total Expense	$ 36.2	$ 35.4

Source: Public Service Commission: *2014-15 Annual Report*, p.12.

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[1] Public Service Commission: *2014-15 Annual Report*, p.3.

[2] Ibid.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **PSC had effective rules and procedures to safeguard public resources except for the matter related to removal of unneeded user access**
- **PSC complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Public Service Act, 1998
  The Public Services Regulations, 1998
  The Financial Administration Act, 1993
  The Executive Government Administration Act
  Orders in Council issued pursuant to the above legislation

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the PSC's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives. Our audit examined the effectiveness of PSC's financial-related controls for administering its spending, keeping reliable financial records, and preparing reliable financial reports.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Prompt Removal of User Access Needed

> We recommended that the Public Service Commission follow its established procedures for removing user access to its computer systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)
>
> **Status** – Partially Implemented

PSC staff continue to not follow its processes for promptly removing user access for individuals who no longer work for PSC. Staff began reviewing monthly reports of user accounts that are inactive.

However, for 4 out of 11 individuals we tested, PSC did not promptly ask the Ministry of Central Services to remove unneeded user access to its computer network. For one of those individuals, PSC did not ask for the removal of the network access until 26 working days after the individual's last day of employment with PSC.

For 6 out of 9 individuals we tested, PSC did not promptly remove unneeded user access for certain IT applications. For one of those individuals, at the time of the audit, PSC had not asked for removal of access to the financial system (this was 77 working days after the individual's last day of employ). For another, the user access was not removed until 39 working days after the individual's last day of employ.

Not promptly removing user access of former employees increases the risk of inappropriate access to the PSC's systems and data.

Chapter 17
Regina Qu'Appelle Regional Health Authority

1.0 MAIN POINTS

The financial statements for the Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) for the year ended March 31, 2015 are reliable and Regina Qu'Appelle complied with the authorities governing its activities.

Regina Qu'Appelle had effective controls except that it needed to promptly remove unneeded access to its information technology systems and data, complete and test its disaster recovery plan, and establish an internal audit function.

We are pleased that Regina Qu'Appelle has implemented all of our past recommendations related to strengthening its financial reporting processes.

2.0 INTRODUCTION

The Regional Health Services Act (the Act) created Regina Qu'Appelle. The Act makes Regina Qu'Appelle responsible for planning, organizing, delivering, and evaluating health services in its health region or any other area that may be directed by the Minister of Health. The Act makes its Cabinet-appointed board responsible for administering the affairs and conducting the business of the Authority.

Regina Qu'Appelle provides specialized health care for 500,000 residents in southern Saskatchewan (including almost 280,000 who live in the region). It has over 7,900 employees.[1]

Each year, over 90% of Regina Qu'Appelle's revenue is grants from the Ministry of Health. For the year ended March 31, 2015, Regina Qu'Appelle had revenues of $1.04 billion (2014: $1.0 billion) including $939.7 million (2014: $929.4 million) of grants from the Ministry of Health, and expenses of $1.06 billion (2014: $1.04 billion).[2] At March 31, 2015, it held assets of $355.3 million (2014: $391.8 million) including capital assets of $317.1 million (2014: $328.1 million) and liabilities of $162.5 million (2014: $176.7 million).

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **Regina Qu'Appelle had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Regina Qu'Appelle complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

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[1] *Regina Qu'Appelle Health Region 2014/2015 Annual Report*, p. 11.

[2] Total of operating and restricted funds from audited financial statements for the year ended March 31, 2015.

The Critical Incident Regulations
The Health Information Protection Act
The Health Labour Relations Reorganization (Commissioner) Regulations
The Housing and Special-care Homes Regulations
The Regional Health Services Act
The Regional Health Services Administration Regulations
The Special-care Homes Rates Regulations, 2011
The Trustee Act, 2009
The Regina Qu'Appelle Regional Health Authority Board Bylaws
Orders in Council issued pursuant to the above legislation

- **Regina Qu'Appelle's financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Regina Qu'Appelle's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of Regina Qu'Appelle's financial-related controls used to administer its revenues, expenses, assets, and liabilities. These controls included Regina Qu'Appelle's governance and financial management reporting. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

As Regina Qu'Appelle's major expenses consist of payroll and other goods and services, we examined its processes for preparing and processing payroll, and its processes for ordering and receiving goods and services. We also examined Regina Qu'Appelle's processes to safeguard and control its major medical equipment and information technology (IT) systems and data.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Need to Remove User Access Promptly

We recommended that Regina Qu'Appelle Regional Health Authority adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – No Longer Relevant, as only the weakness related to user access continues to exist. See new recommendation below.

During the year, we noted 6 out of 26 instances where Regina Qu'Appelle had not removed unneeded user access promptly. For example, for one individual who had left its employ six months before the time of our testing, Regina Qu'Appelle had not removed this individual's network user access.

Regina Qu'Appelle needs to consistently follow its procedures for ensuring only authorized staff have access to its computer systems and data.

1. **We recommend that Regina Qu'Appelle Regional Health Authority follow its established procedure for removing unneeded user access to its computer systems and data.**

4.2 Complete Disaster Recovery Plan Required

We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – Partially Implemented

Regina Qu'Appelle relies on information technology (IT) systems and data to support the delivery of patient care.

During 2014, Regina Qu'Appelle established an alternate computer facility in Regina for its critical IT systems to be used during a disaster. However, it does not have all of its critical IT systems at the alternate computer facility. In addition, Regina Qu'Appelle did not have a complete, documented plan that identifies how to restore its IT systems and data in the event of a disaster. Once complete, it needs to test the plan to assess its effectiveness.

Without a complete and tested disaster recovery plan, Regina Qu'Appelle may not have critical IT systems available when needed, and as a result, healthcare providers may not have critical data available to them when needed.

4.3 Internal Audit Function Needed

We recommended that Regina Qu'Appelle Regional Health Authority implement an internal audit function. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

Status – Not Implemented

While the Board and management continued to support the need to establish an internal audit function, they have not allocated funding given conflicting priorities.[3]

An internal audit function could give the Board and its management assurance on the effectiveness of management processes and compliance with policies and procedures. Also, internal audit could provide assurance on the effectiveness of IT security controls to protect patient systems and data.

4.4 Budget Approved on a Timely Basis

We recommended that the Board of Directors of the Regina Qu'Appelle Regional Health Authority review and approve future budgets on a timely basis. (2013 Report – Volume 1; Public Accounts Committee agreement January 15, 2015)

Status – Implemented

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[3] At March 31, 2015, Saskatoon and Prince Albert Parkland Regional Health Authorities had internal audit functions.

Management presented Regina Qu'Appelle's 2015-16 budget to the Board on March 31, 2015 (prior to the start of next fiscal period). The Board approved the budget subject to the Ministry of Health approval.

4.5 Reasonable and Supportable Projections Provided and Reviewed on Timely Basis

We recommended that Regina Qu'Appelle Regional Health Authority provide the Board of Directors reliable monthly financial reports that include reasonable and supportable projections of year-end results. (2013 Report – Volume 1; Public Accounts Committee agreement January 15, 2015)

Status – Implemented

We recommended that the Board of Directors of Regina Qu'Appelle Regional Health Authority perform regular, timely, and thorough reviews of financial reports. (2013 Report – Volume 1; Public Accounts Committee agreement January 15, 2015)

Status – Implemented

The Board received and reviewed, on a timely basis, reliable monthly financial reports that included reasonable and supportable projections of year-end results. During the audit, the financial reports that we reviewed provided reasonable and supportable projections to year-end. The projections were based on the past five years of results and adjusted for any changes in the current year.

4.6 Formal Plan to Address Deficits Developed

We recommended that Regina Qu'Appelle Regional Health Authority develop action plans to address projected operating deficits and provide a formal plan to the Board of Directors for approval. (2013 Report – Volume 1; Public Accounts Committee agreement January 15, 2015)

Status – Implemented

On March 31, 2015, along with the budget, management presented a plan to address the current operating deficit and achieve a balanced budget during 2015-16. The plan set out various initiatives and assigned a Vice President responsible for each initiative. Management indicated that the Vice Presidents will be required to provide progress updates on each initiative at Senior Leadership Team meetings and the Board meetings during 2015-16.

Chapter 18
Regional Colleges

1.0 MAIN POINTS

This chapter reports the results of our annual 2015 audits of Saskatchewan's seven regional colleges. The 2014-15 financial statements of each of these regional colleges are reliable; and each college complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Five regional colleges had effective rules and procedures to safeguard public resources; Northlands College and Southeast College need to make improvements.

Northlands College needs to regularly evaluate the performance of its employees as its policy requires.

Southeast College needs to require the review and approval of its bank reconciliations, implement a policy for recording journal entries, and require staff that make bank deposits to leave evidence of their involvement.

In 2014-15, North West College improved its information technology (IT) processes, completed its IT strategic plan and disaster recovery plan, and approved and communicated IT policies and procedures. In 2014-15, Northlands College also approved and tested its disaster recovery plan.

2.0 INTRODUCTION

The Regional Colleges Act (Act) sets out the roles and responsibilities of the regional colleges. The Act makes Boards responsible for governing the regional colleges. Cabinet, through Orders in Council, appoints the members of the colleges' boards. Regional colleges provide educational services, adult basic education, training programs designed to prepare individuals for careers relating to health or social issues, and programs on behalf of university or technical institutes.

At June 30, 2015, there were seven regional colleges in Saskatchewan. **Figure 1** lists the colleges, the names of their appointed auditors, and their 2014-15 financial highlights.

Figure 1—2015 Appointed Auditor and Financial Highlights by Regional College

Regional College	Appointed Auditor at June 30, 2015	2014-15 Revenues	2014-15 Annual Surplus (Deficit)	Net Financial Assets at June 30, 2015	Non-Financial Assets at June 30, 2015
			(in millions)		
Carlton Trail	E.J.C. Dudley & Co., Chartered Professional Accountants	$ 7.5	$ (0.6)	$ 1.4	$ 4.7
Cumberland	NeuPath Group, PC Inc. Chartered Accountants	$ 6.8	$ (1.1)	$ 2.5	$ 5.9
Great Plains	Stark and Marsh LLP	$ 11.7	$ (1.0)	$ 2.3	$ 13.7
Northlands	MNP LLP	$ 20.8	$ 0.1	$ 4.1	$ 4.3
North West	Cameron Odishaw La Cock Chartered Professional Accountants	$ 13.1	$ (0.5)	$ 1.1	$ 10.3
Parkland	Miller Moar Grodecki Kreklewich & Chorney Chartered Professional Accountants	$ 24.6	$ 12.1	$ 1.4	$ 19.5
Southeast	Cogent Chartered Professional Accountants LLP	$ 21.5	$ 10.7	$ 1.7	$ 26.9

Source: Provincial Auditor of Saskatchewan, 2015.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended June 30, 2015:

- **The financial statements of each regional college are reliable**
- **Each regional college complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Regional Colleges Act
  The Regional Colleges Regulations
  The Regional Colleges Programs Designation Regulations
  The Regional Colleges Programs and Services Regulations
  The Financial Administration Act, 1993
  The Executive Government Administration Act
  The Income Tax Act, 2000
  The Non-profit Corporations Act, 1995
  The Non-profit Corporations Regulations, 1997
  The Regional Colleges Accounting and Reporting Manual
  Orders in Council issued pursuant to the above legislation

- **Each regional college had effective rules and procedures to safeguard public resources except for the matters related to Northlands College and Southeast College described in this chapter.**

To complete our audits, we worked with each of the regional colleges' appointed auditors using the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1]

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[1] See our website at www.auditor.sk.ca.

We used the control framework published by CPA Canada to make our judgments about the effectiveness of each regional colleges' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of each regional college's controls used to administer its revenues, expense, assets, and liabilities. Also, we examined the effectiveness of the controls used to keep reliable financial records, prepare reliable financial statements, and safeguard information technology systems and data.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Northlands College

4.1.1 Performance Evaluations Required

Not all Northlands College employees received regular performance evaluations as required.

Northlands College's policy requires employees to receive performance evaluations at least every two years.

Not carrying out performance evaluations as and when expected increases the risk of employees not understanding the College's expectations of them, and missing employee growth and coaching opportunities.

1. **We recommend that Northlands College follow its policy requiring regular evaluation of the performance of staff.**

4.1.2 IT Disaster Recovery Plan Approved and Tested

We recommended that Northlands College prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

Status – Implemented

During 2014-15, Northlands College approved and tested its disaster recovery plan for its computer systems and data.

4.2 Southeast College

4.2.1 Independent Review and Approval of Bank Reconciliations Needed

Monthly bank reconciliations were not reviewed or approved.

Southeast College requires staff to prepare bank reconciliations each month. However, it does not require review or approval of these reconciliations.

We found that although staff prepared reconciliations each month, no one reviewed or approved them.

Review and approval of bank reconciliations by a second person provides a check that all charges to bank accounts are proper, and all money received is deposited into the correct bank accounts. It also provides a check on the accuracy and reliability of the accounting records.

2. **We recommend that Southeast College require the review and approval of bank reconciliations by someone other than the preparer of the reconciliations.**

4.2.2 Policy for Recording Journal Entries Needed

Southeast College's records do not always indicate who entered journal entries into its accounting records, and who approved those entries.

The College prepares various journal entries each month. For example, at June 30, 2015, it used journal entries to record in its financial records about $230 thousand in accounts payables and accrued liabilities and $274 thousand in receivables.

While it expects staff to review and approve entries, the College does not require the duty of entering the journal entries be assigned to a different person than the duty of approving them.

A second person's review and approval of journal entries checks that the journal entry is appropriate, properly supported, and coded to the correct account. Lack of independent review and approval of journal entries increases the risk of undetected errors in financial records or fraud.

3. **We recommend that Southeast College implement a policy for recording journal entries in its accounting records that includes review and approval of entries by someone other than the preparer.**

4.2.3 Adequate Segregation of Duties Needed

Southeast College staff involved in making bank deposits did not leave evidence of their involvement in the deposit process.

The College recognizes the importance of having two individuals involved in the bank deposit process to reduce the risk of errors and misappropriation of cash. It expects one staff member to prepare a list of items for deposit prior to making the deposit, and a second staff member to prepare the bank deposit. However, it does not require these individuals to leave evidence of their involvement.

Leaving evidence (e.g., initials) helps show who completed each task and demonstrates to supervisors that two individuals were involved in the deposits process. Involvement of two individuals decreases the risk of misappropriation of assets or errors.

4. **We recommend that Southeast College require staff that make bank deposits to leave evidence of their involvement.**

4.3 North West College

4.3.1 Information Technology Improvements Made

We recommended that North West College (formerly North West Regional College) prepare an information technology strategic plan. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

Status – Implemented

We recommended that North West College (formerly North West Regional College) develop written policies and procedures for its information technology systems and data. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

Status – Implemented

We recommended that North West College (formerly North West Regional College) prepare and test a disaster recovery plan for its computer systems and data. (2013 Report – Volume 2; Public Accounts Committee agreement May 14, 2014)

Status – Implemented

During 2014-15, North West College prepared an information technology (IT) strategic plan to align its IT initiatives with the College's direction. The College approved IT policies and procedures, and communicated them to staff. The College also approved and tested its disaster recovery plan for its computer systems and data.

Chapter 19
Regional Health Authorities

1.0 MAIN POINTS

This chapter reports the results of our annual audit of 11 regional health authorities (RHAs). A separate chapter reports the results of our annual audit of Regina Qu'Appelle RHA because we audit it directly.

Four of the 11 RHAs' 2015 financial statements are reliable. Cypress, Five Hills, Heartland, Prairie North, PA Parkland, Kelsey Trail, and Sun Country continued to not follow Canadian generally accepted accounting principles for the public sector when accounting for healthcare facilities acquired under shared ownership agreements with the Ministry of Health. Because each of those financial statements contained significant errors, the auditor's report on each of those financial statements is qualified. Subsequent to the completion of the RHAs' 2015 financial statements, Treasury Board decided to support the RHAs changing their accounting of shared ownership agreements, for the future financial statements, to align with the views of their auditors.

Nine of the 11 RHAs complied with authorities governing their activities. Two RHAs, Mamawetan Churchill River and Keewatin Yatthé did not have written agreements, as the law requires, for giving money to other healthcare organizations who provided healthcare services on their behalf.

Five of the 11 RHAs had effective controls to safeguard public resources. Heartland, Mamawetan Churchill River, PA Parkland, and Sun Country need to better protect their information technology (IT) systems and data. Mamawetan Churchill River and Sunrise also need to have up-to-date and tested disaster recovery plans. Mamawetan Churchill River has been slow in addressing our past recommendations, some that we first made in 2004. Continued weaknesses in controls increase the risk of errors and misappropriations without ready detection.

2.0 INTRODUCTION

The Regional Health Services Act (Act) created 12 regional health authorities in Saskatchewan. The Act makes RHAs responsible for the planning, organization, delivery, and evaluation of health services in their respective health regions. **Figure 1** lists the 11 RHAs discussed in this chapter, the names of their appointed auditors, and the key financial results for 2014-15.

Figure 1—2015 Appointed Auditor and Financial Highlights by Regional Health Authority

Regional Health Authority	Appointed Auditor at March 31, 2015	2014-15 Revenues	2014-15 Annual Surplus (Deficit)	Fund Balance at March 31, 2015
			(in millions)	
Cypress	Stark & Marsh LLP	$ 180.4	$ 43.7	$ 130.0
Five Hills	Virtus Group LLP	$ 167.7	$ 11.1	$ 66.3
Heartland	KPMG LLP	$ 109.7	$ 2.2	$ 65.2
Kelsey Trail	NeuPath Group, PC Inc.	$ 129.0	$ (0.1)	$ 50.7

Regional Health Authority	Appointed Auditor at March 31, 2015	2014-15 Revenues	2014-15 Annual Surplus (Deficit)	Fund Balance at March 31, 2015
			(In millions)	
Keewatin Yatthé	MNP LLP	$ 29.6	$ (0.6)	$ 22.5
Mamawetan Churchill River	Deloitte LLP	$ 32.2	$ (0.3)	$ 9.9
Prairie North	Cameron Odishaw La Cock	$ 284.4	$ 2.21	$ 53.7
Prince Albert Parkland	MNP LLP	$ 238.7	$ 2.8	$ 75.3
Saskatoon	KPMG LLP	$ 1,191.6	$ (21.3)	$ 360.2
Sun Country	Virtus Group LLP	$ 163.4	$ 6.9	$ 75.3
Sunrise	Collins Barrow PQ LLP	$ 225.5	$ (1.9)	$ 25.1

Source: Audited financial statements of each regional health authority.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The financial statements for Keewatin Yatthé, Mamawetan Churchill River, Saskatoon, and Sunrise are reliable. The financial statements for Cypress, Five Hills, Heartland, Kelsey Trail, Prairie North, Prince Albert Parkland, and Sun Country contain significant errors related to accounting for certain healthcare facilities as described in Section 4.3.**

- **Each of the 11 regional health authorities listed in Figure 1 complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter related to Mamawetan Churchill River and Keewatin Yatthé:**

  The Critical Incident Regulations
  The Health Information Protection Act
  The Health Labour Relations Reorganization (Commissioner) Regulations
  The Housing and Special-care Homes Regulations
  The Regional Health Services Act
  The Regional Health Services Administration Regulations
  The Special-care Homes Rates Regulations, 2011
  The Trustee Act, 2009
  The Executive Government Administration Act
  Each RHA's Bylaws
  Orders in Council issued pursuant to the above legislation

- **Each of the 11 regional health authorities listed in Figure 1 had effective rules and procedures to safeguard public resources except for the matters described in this chapter.**

To complete our audits, we worked with each of the RHAs' appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1]

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the RHAs' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

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[1] See our website at www.auditor.sk.ca.

For Mamawetan Churchill River, we did additional work to assess its documentation of medication administered to patients. Our work consisted of observation and discussion with management and staff at Mamawetan Churchill River, and testing of selected procedures.

4.0 KEY FINDINGS AND RECOMMENDATIONS

Sections 4.1 to **4.7** set out areas where improvements were needed at March 31, 2015. **Figure 2** compiles those areas by regional health authority.

Figure 2—Compilation of Outstanding Recommendations by Regional Health Authority

Regional Health Authority	4.1 Agreements with Healthcare Organizations	4.2 Protection of IT Systems	4.3 Accounting for Healthcare Facilities	4.4 Up-to-Date and Tested Disaster Recovery Plan	4.5 Control of Capital Assets	4.6 Support and Approval of Staff Overtime	4.7 Review and Approval of Financial Records
Cypress			X				
Five Hills			X				
Heartland		X	X				
Kelsey Trail			X				
Keewatin Yatthé	X				X		
Mamawetan Churchill River	X	X		X		X	X
Prairie North			X				
Prince Albert Parkland		X	X				
Saskatoon							
Sun Country		X	X				
Sunrise				X			

4.1 Mamawetan Churchill River and Keewatin Yatthé Need Agreements with Healthcare Organizations

We recommended that Cypress Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organization in the region. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

During 2014-15, Cypress did not provide funding to any healthcare organization without a properly signed agreement.

We recommended that Mamawetan Churchill River Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

We recommended that Keewatin Yatthé Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Not Implemented

Both Mamawetan Churchill River and Keewatin Yatthé RHAs use various health care organizations (HCOs) to provide healthcare services to residents. *The Regional Health Services Act* (Act) does not allow RHAs to provide funding to HCOs without written agreements. These RHAs have written agreements with most, but not all of their HCOs. In 2014-15, Mamawetan Churchill River gave $148,000 to a HCO, and Keewatin Yatthé expensed $292,000 to another HCO without written agreements. Accordingly, Mamawetan Churchill River and Keewatin Yatthé did not comply with the Act.

4.2 Sun Country, Heartland, Mamawetan Churchill River, and PA Parkland Need Better Protection of IT Systems and Data

We recommended that Sun Country Regional Health Authority follow its established policy to remove unneeded user access to its information technology systems and data. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

Although Sun Country has policies requiring prompt removal of unneeded user access to its information systems and data, staff did not always comply with those policies. We noted that 7 out of the 12 individuals that we tested did not have their access removed in a timely manner.

We recommended that Heartland Regional Health Authority adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – Partially Implemented

During the year, Heartland properly secured its IT equipment and established processes to promptly remove unneeded access to information systems and data. However, its staff did not always follow them.

We recommended that Mamawetan Churchill River Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 26, 2005)

Status – Partially Implemented

During the year, Mamawetan Churchill River followed its process for timely identification and removal of user access. Although Mamawetan Churchill River has established policies and procedures for updating its IT systems and data, it has not yet approved those policies and procedures.

We recommended that Prince Albert Parkland Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Not Implemented

We found for four instances out of the eight that we tested PA Parkland did not promptly remove unneeded access to its information systems and data.

We recommended that Keewatin Yatthé Regional Health Authority improve its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented

During the year, we found that for the individuals we tested, Keewatin Yatthé promptly removed their access to its information systems and data.

4.3 Proper Accounting for Certain Healthcare Facilities Needed

We recommended that Cypress Regional Health Authority, Five Hills Regional Health Authority, Heartland Regional Health Authority, Prairie North Regional Health Authority, Prince Albert Parkland Regional Health Authority, and Sun Country Regional Health Authority follow Canadian generally accepted accounting principles for the public sector to prepare their financial statements.

(2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Partially Implemented

The 2015 financial statements for seven RHAs contained significant errors—Cypress, Five Hills, Heartland, Kelsey Trail,[2] Prairie North, Prince Albert Parkland, and Sun Country. As a result, the appointed auditor for each of these RHAs (listed RHAs) issued a qualified audit opinion[3] on the related set of 2015 financial statements.

Each of the listed RHAs, under an agreement with the Ministry of Health (called a "shared ownership agreement") received funding to build or acquire certain healthcare facilities. The listed RHAs did not follow Canadian generally accepted accounting principles for the public sector (Canadian GAAP) in preparing their 2015 financial statements when accounting for transactions under these agreements. Canadian GAAP requires agencies to record transactions to reflect their substance rather than their legal form. In 2014-15, the Ministry of Health directed these RHAs to account for these agreements based on their legal form. As a result, the listed RHAs did not correctly account for healthcare facilities under shared ownership agreements resulting in significant errors in their 2015 financial statements.

Because the listed RHAs did not correctly account for healthcare facilities under shared ownership agreements, their 2015 financial statements report incorrect amounts at year-end. At year-end, the financial statements cumulatively understate capital assets by $172.0 million, overstate accounts payable to the Ministry of Health by $1.5 million, and understate restricted fund balances by $173.5 million. Those financial statements also cumulatively understate the listed RHAs' revenue for the year and their annual surplus by $21.0 million.

As reflected in the auditor's report on each of these financial statements, not following Canadian GAAP has resulted in each of the listed RHAs preparing financial statements that contain significant errors.

Subsequent to the completion of the audits of RHAs, this accounting issue was resolved for future financial statements. Treasury Board, after consultations with the Ministry of Finance and further consideration of this matter, decided to support RHAs changing their accounting for shared ownership agreements starting in 2015-16 to align with the views of their auditors.

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[2] This error was not significant for the 2014 financial statements of Kelsey Trail.

[3] An auditor expresses a qualified opinion when the auditor, having obtained appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material, but not pervasive, to the financial statements.

4.4 Sunrise and Mamawetan Churchill River Need to Complete their Disaster Recovery Plans

We recommended that all regional health authorities establish disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – Implemented (Cypress, and Heartland), Partially Implemented (Sunrise), Not Implemented (Mamawetan Churchill River)

During 2014-15, almost all RHAs had a complete and tested disaster recovery plan (DRP) except for Sunrise and Mamawetan Churchill River.

Sunrise made significant progress in 2014-15 but had not yet finalized or tested its DRP. By March 2015, Mamawetan Churchill River had established processes to back-up its IT systems and data, but had not completed its DRP. Once DRPs are complete or finalized, they must be tested to determine whether they work as intended.

Not having up-to-date and tested DRPs increases the risk that IT systems and data may not be available when needed.

4.5 Keewatin Yatthé Needs Better Control of its Capital Assets

We recommended that Keewatin Yatthé Regional Health Authority count its capital assets and agree its capital asset records to its accounting records regularly. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

Status – Not Implemented

During 2014-15, Keewatin Yatthé did not make any progress towards meeting this recommendation. At year-end, it had capital assets totalling $1.3 million. However, because it does not periodically count its capital assets and compare them to its accounting records, it does not know if those assets exist or where they are located.

Management indicated that Keewatin Yatthé plans to count all of its capital assets by December 2015.

4.6 Mamawetan Churchill River Needs to Check Support and Approval of Staff Overtime

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to control overtime costs resulting from calling staff back to work to provide healthcare services outside their assigned shifts. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Not Implemented

During 2014-15, Mamawetan Churchill River made little progress to address this recommendation. At March 2015, it did not approve all time sheets prior to processing payroll, its monthly call-back[4] payroll, or the payroll register before making payments. Lack of review and formal approval of timesheets, call-back payroll, or the payroll register prior to making payments could result in system errors or improprieties in payroll without detection.

4.7 Mamawetan Churchill River Needs to Review and Approve its Financial Records

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to review and approve all key financial procedures (e.g., bank reconciliations, journal entries). (2013 Report - Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Partially Implemented

In 2014-15, Mamawetan Churchill River continued to develop policies and procedures over management reviewing and approving key financial procedures on a timely basis. Starting in 2014-15, it required a senior manager to review and approve all changes (journal entries) to Mamawetan Churchill River's financial records. It has also drafted a policy related to adding and deleting suppliers on its master vendor list. However, by March 2015, it had not approved or implemented this policy.

Not having complete financial policies and procedures increases the risk of staff not having a full understanding of their responsibilities relating to the key financial procedures and reporting processes.

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[4] Based on the Collective Agreement between the Saskatchewan Association of Health Organizations and the Saskatchewan Union of Nurses 2012-2014, a "call back" is when an employee is brought back to duty during a stand by duty period. The employee is deemed to be working overtime for the time worked with a guaranteed minimum payment of two hours on each occasion of call back.

Chapter 20
Saskatchewan Apprenticeship and Trade Certification Commission

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Saskatchewan Apprenticeship and Trade Certification Commission (Commission) for the year ended June 30, 2015.

The Commission's 2014-15 financial statements are reliable. The Commission complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The Commission had effective rules and procedures to safeguard public resources except that it needs to review and approve its bank reconciliations independent of their preparation each quarter.

2.0 INTRODUCTION

The Saskatchewan Apprenticeship and Trade Certification Commission (Commission) operates under *The Apprenticeship and Trade Certification Act, 1999* (Act). The Act gives the Commission responsibility for managing an apprenticeship and trade certification system that meets the needs and priorities of Saskatchewan employers and employees.

The Commission provides services to nearly 16,000 clients including registered apprentices and tradespersons. The Commission regulates 49 designated trades and 20 sub-trades in Saskatchewan.[1]

2.1 Financial Overview

At June 30, 2015, the Commission held net financial assets of $3.1 million (2014: $3.3 million). For the year ended June 30, 2015, the Commission had operating revenue of $28.0 million (2014: $26.6 million) and an annual deficit of $0.3 million (2014: surplus of $1.3 million). Each year, the Commission provides its annual report including its audited financial statements to the Legislative Assembly. The annual report can be found on its website.[2]

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended June 30, 2015:

- **The Commission had effective rules and procedures to safeguard public resources except for the review and approval of its bank reconciliations**

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[1] www.saskapprenticeship.ca/publications-resources/statistics/ (25 August 2015).
[2] www.saskapprenticeship.ca/publications-resources/annual-report/ (25 August 2015).

- **The Commission complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Apprenticeship and Trade Certification Act, 1999
  The Apprenticeship and Trade Certification Regulations
  The Financial Administration Act, 1993
  The Executive Government Administration Act
  Relevant orders in council issued pursuant to the above legislation

- **The Commission's financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Commission's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives. Assessing the Commission's rules and procedures to safeguard public resources included evaluating the Commission's processes for recording revenues, payroll, and purchasing goods and services.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Timely Reviews of Bank Reconciliations Needed

The Commission did not review its bank account reconciliations on a timely basis.

The Commission's cash is included as part of a centralized bank account of the General Revenue Fund that is managed by the Ministry of Finance (Finance). Because of this arrangement, the Commission reflects its cash as "Due from the General Revenue Fund" in its accounting records and in its financial statements.

Each quarter, the Commission receives a statement from Finance that sets out the Commission's bank balance along with the interest the Commission has earned on its cash (Finance bank statement). Each quarter, Commission staff uses this information to prepare its bank reconciliation.

During 2014-15, these bank reconciliations were not reviewed until year-end, and the reviewer did not leave evidence of review and approval. Also, at year-end, Commission staff could not reconcile its recorded cash balance to the Finance bank statement. Several months after its June 30, 2015 year-end, the Commission hired a consultant to help it complete its bank reconciliation.

Timely preparation and independent review and approval of bank reconciliations provide a check that all charges to accounts are proper, and all funds have been received and deposited in the right bank account. Reconciliations also provide a check on the accuracy and reliability of accounting records.

1. **We recommend that the Saskatchewan Apprenticeship and Trade Certification Commission review and approve its bank reconciliations independent of their preparation each quarter.**

Chapter 21
Saskatchewan Arts Board

1.0 MAIN POINTS

Saskatchewan Arts Board's 2014-15 financial statements are reliable. The Saskatchewan Arts Board complied with the authorities governing its activities related to financial reporting and safeguarding public resources. It had effective rules and procedures to safeguard public resources except that it did not comply with all of its grants policies. We found that it had paid $162,874 in grants to three recipients before it made sure they had fulfilled reporting requirements from previously provided grants. Also, it did not obtain the required approval for grant advances of $120,288 made to several recipients in the multi-year grant programs.

2.0 INTRODUCTION

The mandate of Saskatchewan Arts Board (Board), under *The Saskatchewan Arts Board Act,* is to cultivate an environment in which the arts thrive for the benefit of everyone in Saskatchewan.[1] To achieve its mandate, the Board provides grants to various Saskatchewan artists and arts organizations.

At March 31, 2015, the Board had net financial assets of $6.29 million (2014: $5.95 million) including investments of $6.1 million (2014: $5.5 million) and tangible capital assets of $0.38 million (2014: $0.32 million). Also, at March 31, 2015, it held a permanent collection of works of art of $2.7 million (2014: $2.6 million). As shown in **Figure 1**, in 2014-15, the Board received $7.16 million from the Ministry of Parks, Culture and Sport for its operations.

Figure 1—Revenues and Expenses

	2014-15	
	Budget	Actual
	(in millions)	
Provincial Grants	$ 7.16	$ 7.16
Other Revenues	2.87	2.96
Total Revenues	$ 10.03	$ 10.12
Grants and Transfers	6.67	6.62
Operational and Other Expenses	3.26	3.13
Total Expenses	$ 9.93	$ 9.75

Source: March 31, 2015 Audited Financial Statements.

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[1] Saskatchewan Arts Board *Annual Report 2014-15*, inside cover.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The Board had effective rules and procedures to safeguard public resources except for the matters related to paying grants**
- **The Board complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Arts Board Act, 1997
  The Arts Board Regulations
  Orders in Council issued pursuant to the above legislation

- **The Board's financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Board's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the Board's financial-related controls used to administer its spending, revenues, and key assets consistent with its related authorities, and its preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector. We assessed the Board's governance and controls over its grants, and safeguarding of its permanent collections.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Compliance with Grant Policies Needed

The Board did not always comply with its grant payment policies.

Board policies related to the payment of grants[2] do not allow for new grants payments to a recipient until the required reports for previous grants are submitted by the report due date and properly approved. Allowing only those recipients who have met past reporting requirements on previous grants helps the Board ensure it pays grants to recipients who use grants as expected and it achieves its mandate.

During our audit, we found three instances where the Board paid new grants totalling $162,874 before those recipients had submitted the required reports for previous grants. As a result, it paid grants to recipients with outstanding reporting.

Non-compliance with its established policies increases the risk that grant recipients may not use the grants for the purposes the Board intends and, in turn, that the Board may not achieve its mandate or objectives.

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[2] Policy is set out in the grant application packages.

1. **We recommend that the Saskatchewan Arts Board follow its established policies to pay grants only to eligible recipients with no outstanding reports.**

Also, the Board did not always comply with its policies for the authorization of grant payments.

Board policies related to the approval of grants in excess of $20,000 require the Chief Executive Officer to obtain the approval of the Board of Directors with the exception of travel grants.[3] Also, Board policies for the multi-year grant programs require annual approval for each year of funding.

During the audit, we found four instances where advances on grants, totalling $120,288, were paid to multi-year grant recipients before receiving the Board's approval. As a result, these advances were made when not properly authorized.

2. **We recommend that the Saskatchewan Arts Board follow its established policies related to obtaining the required approval before paying multi-year grants.**

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[3] *Saskatchewan Arts Board: Board of Directors: Governance Manual*, section 4.2.4.

Chapter 22
Saskatchewan Cancer Agency

1.0 MAIN POINTS

The Saskatchewan Cancer Agency's (Agency) 2015 financial statements are reliable, and the Agency complied with the authorities governing its activities. Also, it had effective rules and procedures to safeguard public resources except that it had not tested the effectiveness of its disaster recovery plan as its policies require.

2.0 INTRODUCTION

The Agency was established under *The Cancer Agency Act*. The Agency is responsible for delivering effective and sustainable research, education, prevention, early detection, treatment, and supportive care programs for the control of cancer in Saskatchewan.

At March 31, 2015, the Agency had revenues totalling $162 million (2013-14: $156 million), expenses totalling $164 million (2013-14: $152 million) and held assets totalling $60 million (2013-14: $60 million).

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The Agency had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- **The Agency complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Cancer Agency Act
  The Regional Health Services Act
  The Health Information Protection Act
  The Cancer Agency Regulations
  The Regional Health Services Administration Regulations
  Orders in Council issued pursuant to the above legislation

- **The Agency had reliable financial statements**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Agency's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

During the audit, we examined the effectiveness of the Agency's controls used to administer revenues, expenses, and assets identified in **Section 2.0**. The Agency's significant expenses include salaries, drugs, and medical supplies. Also, we examined the effectiveness of controls it used to keep reliable financial records and prepare reliable financial reports.

4.0 KEY FINDING AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

4.1 Disaster Recovery Plan Testing Needed

We recommended that the Saskatchewan Cancer Agency test the effectiveness of its disaster recovery plan as its policies require. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

Testing disaster recovery plans helps ensure agencies can continue operations and critical systems can be recovered in a timely way in the event of a disaster. Also, the adequacy of the Agency's disaster recovery plan (DRP) depends on the adequacy of the DRP of eHealth Saskatchewan, the operator of the data centre for the Agency.

The Agency has established information technology (IT) policies that require it to test its disaster recovery plan annually. At March 2015, the Agency had not tested its disaster recovery plan within the last three years.

Management indicated that by March 31, 2016, the Agency intends to update its Business Continuity and Disaster Recovery Plans for all IT systems and develop infrastructure requirements for testing and implementation in 2016-17.

Chapter 23
Saskatchewan Heritage Foundation

1.0 MAIN POINTS

The Saskatchewan Heritage Foundation's (SHF) financial statements for the year ended March 31, 2015 are reliable. It had effective rules and procedures to safeguard public resources. It complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except that it did not obtain proper approval for a grant payment.

2.0 INTRODUCTION

Under *The Heritage Property Act*, SHF is responsible for obtaining and managing heritage property for the benefit of the Saskatchewan public, and providing financial support to individuals, community groups, municipalities, and corporations working to preserve Saskatchewan's heritage. A Cabinet-appointed Board oversees SHF, and the Ministry of Parks, Culture and Sport carries out its day-to-day operations.[1]

In 2014-15, SHF had revenues of $510,286 and expenses of $458,950 including $358,779 in support of heritage projects. At March 31, 2015, it held financial assets of $499,356 and a number of historic artifacts and sites (e.g., Claybank Brick Plant).[2]

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **SHF had effective rules and procedures to safeguard public resources**
- **SHF complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except as noted in this chapter:**

  The Heritage Property Act
  The Executive Government Administration Act
  Orders in Council issued pursuant to the above legislation

- **SHF's financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of SHF's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives. Our audit included examining SHF's processes to approve and make grant payments to its various grant recipients.

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[1] *Saskatchewan Heritage Foundation 2014-15 Annual Report*, pp. 17 and 18.
[2] Because of the nature of historic properties, they are not recorded as assets in the Foundation's financial statements.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Payment Not Properly Authorized

SHF did not obtain proper approval for a grant payment.

The Heritage Property Act,[3] requires SHF to obtain an Order in Council to give financial assistance (i.e., grant) to a single individual or agency when the amount exceeds $50,000 in a fiscal year. An Order in Council is a directive issued by the Lieutenant Governor on the advice of Cabinet that authorizes a payment and makes the decision public.

In 2014, SHF approved and provided a grant of $57,535 to an agency without obtaining an Order in Council. Accordingly, this payment was not properly authorized or made public.

1. **We recommend that the Saskatchewan Heritage Foundation obtain an Order in Council, as required by law, prior to providing financial assistance to a single individual or agency when the amount exceeds $50,000 in a fiscal year.**

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[3] Section 5.2(3).

Chapter 24
Saskatchewan Impaired Driver Treatment Centre

1.0 MAIN POINTS

This chapter reports the results of our audits of the Saskatchewan Impaired Driver Treatment Centre (Centre) for the years ended March 31, 2014 and March 31, 2015.

The Centre's 2014 and 2015 financial statements are reliable. The Centre complied with the authorities governing its activities, and it had effective rules and procedures to safeguard public resources except for two areas.

The Centre needs to keep accurate accounting records, and it needs to provide its annual report, including its audited financial statements, to the Legislative Assembly within the timeframe required by law.

2.0 INTRODUCTION

The Saskatchewan Impaired Driver Treatment Centre (Centre) was established under *The Public Health Act*. Cabinet appoints the Centre's Board of Governors. The Centre provides a rehabilitation program for individuals who have been convicted of impaired driving offences.

For the year ended March 31, 2015, the Centre had grant revenue from the Ministry of Health of $1.1 million (2013-14: $1 million), and expenses of $1.1 million (2013-14: $1.1 million). At March 31, 2015, the Centre had net debt of $33 thousand (2014: $49 thousand), and held equipment and leasehold improvements totalling $20 thousand (2014: $54 thousand).

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended March 31, 2014 and 2015:

- **The Centre had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- **The Centre complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except for the matter described in this chapter:**

  The Public Health Act
  Orders in Council issued pursuant to the above legislation

- **The Centre's financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Centre's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2014 and 2015 audits, we examined the effectiveness of the Centre's controls to administer its revenues, expenses, assets, and liabilities. Also, we examined the effectiveness of the Centre's governance and its controls to keep reliable financial records and prepare reliable financial reports.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Need to Keep Accurate Accounting Records

During the years ended March 31, 2014 and 2015, the Centre did not keep accurate accounting records.

The Centre did not have trained accounting staff to maintain its accounting records and prepare interim financial reports and annual financial statements. We found the Board received incomplete and inaccurate financial reports throughout the 2014 and 2015 fiscal years.

Also, the Centre did not prepare timely and accurate financial statements for the March 31, 2014 audit. In February 2015, the Centre prepared its financial statements for the year ended March 31, 2014 for audit purposes.

The Centre used a cash basis of accounting to prepare its interim financial reports. The annual financial statements submitted for audit contained numerous and material errors overstating reported annual surplus by almost $79,000 (2014: $91,000).

The Centre contracted an accounting firm to correct the errors and prepare accurate annual financial statements.

1. **We recommend that the Saskatchewan Impaired Driver Treatment Centre provide training and guidance to staff for maintaining accurate accounting records and preparing interim financial reports.**

4.2 Timely Annual Report and Financial Statements Needed

The Centre did not provide its annual report including its audited financial statements to the Legislative Assembly within the timeframe required by law.

The law requires the Centre to report its activities to the Minister of Health each year[1]. The Centre must submit its annual report including its financial statements to the

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[1] Section 88 of *The Public Health Act*.

Minister responsible for tabling in the Legislative Assembly within 120 days of its year-end.[2]

Delays in preparing and finalizing its financial statements resulted in delayed submission of the Centre's annual report. The Centre's annual report for its March 31, 2013 year-end was tabled on May 22, 2014 instead of by July 29, 2013 as required by law. Also, the Centre's annual report for the year ended March 31, 2014 was tabled on July 29, 2015 instead of by July 29, 2014, as required by law. The Centre submitted its financial statements and annual report for its March 31, 2015 year-end on September 21, 2015; by law, this report was due July 29, 2015.

2. **We recommend that the Saskatchewan Impaired Driver Treatment Centre submit its annual report, including its audited financial statements, to the Minister responsible within the timeframe required by *The Public Health Act*.**

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[2] Section 13 of *The Executive Government Administration Act*.

Chapter 25
Saskatchewan Indian Gaming Authority Inc.

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2015. SIGA's 2015 financial statements are reliable. SIGA complied with the authorities governing its financial-related activities. During 2014-15, SIGA implemented a new human resource plan and business continuity plan, and improved its policies over capital assets. However, it needs to make the following improvements.

To enable the preparation of accurate financial statements, SIGA must review new and/or amended lease contracts to make sure it accounts for these contracts consistent with generally accepted accounting standards. As previously reported in our *2014 Report – Volume 2*, SIGA must better protect its information technology (IT) systems and data including periodically reviewing user access to its IT systems and data.

2.0 INTRODUCTION

SIGA is a non-profit corporation established under *The Non-profit Corporations Act, 1995*. Its members are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations.

SIGA operates six casinos located on First Nations reserves. The casinos are:

- Northern Lights Casino
- Gold Eagle Casino
- Painted Hand Casino
- Bear Claw Casino
- Dakota Dunes Casino
- Living Sky Casino

Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licenses SIGA to operate these casinos. In 2002, the Government of Saskatchewan and the FSIN signed the 2002 Framework Agreement (Framework Agreement) effective from June 11, 2002 to June 11, 2027. The Framework Agreement allows for the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code* (Canada). As required by section 207 of the *Criminal Code*, Liquor & Gaming owns the slot machines located in SIGA's casinos. Accordingly, Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming and is calculated based on the Casino Operating Agreement.[1]

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[1] Liquor & Gaming and SIGA signed a Casino Operating Agreement effective from June 11, 2002 to June 11, 2027. Under the Casino Operating Agreement, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming.

2.1 Financial Overview

At March 31, 2015, SIGA held assets of $184 million (2014: $177 million), including capital assets of $108 million (2014: $95 million), and had liabilities of $191 million (2014: $182 million), including long-term debt of $48 million (2013-14: $53 million). For the year ended March 31, 2015, its net casino profit was $83 million.

SIGA's casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, lounges, and a hotel), and table games operations. **Figure 1** shows the net casino profits SIGA made during the last five years by type.

Figure 1—SIGA Financial Results for the Five-Year Period from 2011 to 2015

Year Ended March 31	2015	2014	2013	2012	2011
	(in millions)				
Slot machines operations profit	$ 96.5	$ 94.2	$ 99.5	$ 92.2	$ 80.1
Ancillary operations loss	(10.2)	(10.7)	(10.0)	(7.5)	(11.8)
Table games operations loss	(2.2)	(3.3)	(3.0)	(3.0)	(4.2)
Unrealized (loss) gain on interest rate swaps*	(1.0)	2.1	0.3	(2.5)	0.3
Net casino profit	$ 83.1	$ 82.3	$ 86.8	$ 79.2	$ 64.4

Source: 2010-11 to 2014-15 Saskatchewan Indian Gaming Authority Inc. annual reports.
*Unrealized (loss) gain on interest rate swaps is the amount of change in the fair value of the swaps in a fiscal year.

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of SIGA. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[2]

In our opinion, for the year ended March 31, 2015:

- **SIGA's financial statements are reliable**
- **SIGA complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Non-profit Corporations Act, 1995
The Non-profit Corporations Regulations, 1997
The Alcohol and Gaming Regulation Act, 1997
The Gaming Regulations, 2007
Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)
Proceeds of Crime (Money Laundering) Suspicious Transactions Reporting Regulations (Canada)
2002 Framework Agreement (June 11, 2002)
2002 Casino Operating Agreement (June 11, 2002)
Terms and Conditions for SIGA Table Games (issued by Indigenous Gaming Regulators Inc.)
SIGA Slot Machine Operating Procedures and Directives (issued by Liquor & Gaming)
SIGA Operating Policies and Directives (issued by Liquor & Gaming)
SIGA Bylaws

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[2] See our website at www.auditor.sk.ca.

- **SIGA had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of SIGA's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Because SIGA operates in the casino industry, it processes a significant number of cash transactions and holds a significant amount of cash in its casinos. As a result, we paid particular attention to SIGA's controls for managing cash in its casinos. This included assessing its processes for approving and recording transactions, and monitoring staff compliance with established procedures to safeguard cash. Also, because SIGA relies on computer systems to manage its operations, we assessed its controls over key information technology (IT) service providers, IT security, change management processes, and user access.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Improved Assessment of Accounting Implications of Lease Agreements Needed

SIGA has significant lease agreements with external parties for its casino buildings which come up for renewal at various dates. SIGA follows International Financial Reporting Standards (IFRS) (generally accepted accounting standards) to account for its financial activities. IFRS contains specific rules as to how to account for leases.[3]

In April 2014, SIGA renewed its lease agreement for one of its casinos. SIGA did not sufficiently assess the accounting implications of the changes to this agreement and as such, continued to account for this agreement as an operating lease.

In May 2015, SIGA management and its appointed auditor discussed the accounting for this agreement and determined that SIGA should have recorded this lease as a finance lease. As a result, SIGA's 2014-15 draft financial statements presented for audit contained errors (i.e., SIGA had not recorded its $15 million obligation and related asset, and had not recorded interest and depreciation expenses of $354,000). SIGA made corrections to the final audited financial statements to account for the renewed lease properly.

Lack of an effective process to assess the accounting implications of new and/or amended lease arrangements on a timely basis increases the risk of errors in SIGA's financial statements. Also, because certain of SIGA's financial results are recorded in Liquor & Gaming's financial statements, errors in SIGA's statements increase the risk of errors in Liquor & Gaming's statements. Without accurate financial statements, senior management and the Board may not have the information they need to make informed decisions.

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[3] A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. (CPA Canada. *CPA Canada Handbook – Accounting Part 1, International Accounting Standard 17 Leases*).

1. **We recommend that Saskatchewan Indian Gaming Authority Inc. determine the accounting implications of new or amended lease agreements and document its assessment.**

4.2 Review of User Access Needed

We recommended that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

Status – Partially Implemented

During 2014-15, SIGA continued to not complete reviews of IT user access for its key applications in accordance with its policies. For example, we noted that it had not removed user access of eight former employees (2013-14 – 21 former employees with user access). Some of these individuals had administrative privileges[4] for key business applications.

Timely reviews of IT user access are necessary so that access granted is consistent with each employee's job responsibilities and is appropriate. Lack of reviews of IT user access increases the risk of unauthorized access to and inappropriate modifications of systems and data.

4.3 Business Continuity Plan Prepared

We recommended that Saskatchewan Indian Gaming Authority Inc. prepare a complete disaster recovery plan and assess the need for a business continuity plan. (2008 Report – Volume 3; Public Accounts Committee agreement March 11, 2009)

Status – Implemented

SIGA relies significantly on its IT systems to operate. A business continuity plan (BCP) helps organizations properly recover critical business functions in the event of a disaster. A disaster recovery plan is a key component of an overall BCP. For SIGA, a complete BCP would include emergency preparedness planning for all of SIGA's six casinos.

As previously reported,[5] SIGA has a disaster recovery plan for its IT systems; it tested this plan in 2013 and last updated it in April 2014. In 2014-15, SIGA developed an Emergency and Continuity Management Program (ECMP). The core components of the ECMP include an Incident Management Plan, an Emergency Management Plan, a Continuity Management Plan, an Information Technology Disaster Recovery Plan and an

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[4] Administrative privileges give users the ability to install software and change configuration settings.

[5] Provincial Auditor *2014 Report - Volume 2, Chapter 22, Saskatchewan Indian Gaming Authority Inc.*, p. 133.

Emergency and Continuity Communications Plan. Also in 2014-15, SIGA developed individual emergency response plans for each of its casinos. SIGA's senior management approved the ECMP in July 2015. SIGA conducted testing of its emergency response plans in June 2015.

4.4 Human Resource Plan Prepared

We recommended that Saskatchewan Indian Gaming Authority Inc. complete and implement its human resource plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 29, 2004)

Status – Implemented

In 2014-15, SIGA implemented a new human resource plan (corporate workforce plan). The plan included an environmental scan of the current labour market, statistics about SIGA's current workforce, current gaps in SIGA's workforce, and action plans to help address those gaps.

4.5 Policies to Control Capital Assets Followed

We recommended that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

Status – Implemented

The majority (approximately 93% or $101 million) of SIGA's capital assets consist of costs incurred to develop new casinos as well as other leasehold improvements made to facilities that SIGA leases (i.e., its head office and casinos). Typically, there is low risk that these types of assets do not exist (i.e., the nature of these assets is that they cannot be readily removed or disposed of). The remaining capital assets consist of furniture and equipment (e.g., office furniture, IT equipment, kitchen equipment, table games). These assets present a higher risk of being disposed of, recorded at an inappropriate amount or misappropriated without ready detection.

In late 2014, SIGA revised its policy for disposing of capital assets, and then complied with the updated policy. SIGA also complied with its policies to acquire and record capital assets. SIGA's policies also require periodic counts of capital assets with a comparison of the counts to the accounting records to help ensure that capital assets recorded in its accounting records exist. Management has determined which assets are at risk, the frequency and timing of required counts for those assets, and plans to count these assets at a future date consistent with its policy.

Chapter 26
Saskatchewan Liquor and Gaming Authority

1.0 Main Points

Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) financial statements for the year ended March 31, 2015 are reliable. It complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, borrowing, and investing. During the year, Liquor and Gaming updated its slot machine records and implemented its enterprise risk management framework.

Liquor & Gaming had, other than for the following two matters, effective rules and procedures to safeguard public resources. It needs to improve its information technology (IT) security policies and consistently comply with its user access policies.

2.0 Introduction

Liquor and Gaming operates under *The Alcohol and Gaming Regulation Act, 1997*. It is responsible for the distribution, management, operation and regulation of liquor and gaming across the province.[1]

Liquor & Gaming owns and operates all video lottery terminals (VLTs) located in the province, owns and manages all slot machines located at Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos, and operates retail liquor stores. It distributes liquor to other businesses who sell liquor to the public (e.g., private liquor stores, franchises, commercial permittees).

2.1 Financial Overview

In 2014-15, Liquor & Gaming had revenues of $1,092 million,[2] expenses of $604 million, and comprehensive income of $488 million. **Figure 1** shows Liquor & Gaming's key financial results by segment. At March 31, 2015, Liquor & Gaming held total assets of $287 million, had total liabilities of $290 million, and had a retained deficit of $3 million. Liquor & Gaming's 2014-15 annual report includes its financial statements.

Figure 1—Key Financial Results for 2014-15 by Segment

	Liquor	VLT	Slot Machines in SIGA Casinos	Other Gaming	Total
	(in millions)				
Total Revenues*	$ 619.4	$ 246.1	$ 225.8	$ 0.5	**$ 1,091.8**
Total Expenses	375.2	66.5	143.0	19.1	**603.8**
Total Comprehensive Income (Loss)	$ 244.2	$ 179.6	$ 82.8	$ (18.6)	**$ 488.0**

Source: Saskatchewan Liquor & Gaming Authority's 2014-15 audited financial statements.
*Including other comprehensive income/loss.

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[1] Saskatchewan Liquor and Gaming Authority. (2015). *Saskatchewan Liquor and Gaming Authority – Plan for 2015-16.* www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202015-16.pdf (28 May 2015).

[2] $1,092 million is comprised of gross revenues of $1,099 million less other comprehensive loss of $7 million.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **Liquor & Gaming had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

- **Liquor & Gaming complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Alcohol and Gaming Regulation Act, 1997
  The Alcohol Control Regulations, 2013
  The Financial Administration Act, 1993
  The Gaming Regulations, 2007
  The Liquor and Gaming Authority Employee Code of Conduct Regulations
  The Liquor Consumption Tax Act
  The Litter Control Act
  The Litter Control Designation Regulations
  The Customs Tariff Act (Canada)
  Excise Act (Canada) (schedule I, II and II.1)
  Excise Tax Act (Canada) (section 188)
  Excise Act, 2001 (Canada) (schedule 4-6)
  Criminal Code of Canada (section 207)
  Orders in Council issued pursuant to the above legislation
  2002 Framework Agreement, as amended
  2002 Casino Operating Agreement, as amended
  Western Canada Lottery Corporation Operating Agreement
  Indigenous Gaming Regulators Licensing Agreement

- **Liquor & Gaming's financial statements are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of Liquor & Gaming's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of Liquor & Gaming's financial-related controls used to administer revenues and expenses, safeguard assets, keep reliable financial records consistent with related authorities, and prepare reliable financial reports. This included evaluating its significant information technology systems and processes and examining how it monitored SIGA's operations. Also, we assessed the work of its Gaming Integrity Branch and Audit Services Branch with respect to compliance with legislation over liquor and gaming activities in the province.

During 2014-15, Liquor & Gaming replaced the computer system used to manage its warehouse liquor inventory. We assessed Liquor & Gaming's processes to manage the system implementation including the conversion of data from its existing system to its new system. We also assessed the significant changes to Liquor & Gaming's processes to control warehouse inventory as a result of the implementation of this system.

In addition, we examined Liquor & Gaming's processes to manage the ongoing construction of its new distribution centre (warehouse). This included assessing the accounting for construction costs in accordance with International Financial Reporting Standards (IFRS).

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Policies and Procedures for Monitoring IT Security Needed

We recommended that Saskatchewan Liquor and Gaming Authority develop information technology security policies and procedures for monitoring information technology security. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Not Implemented

While Liquor & Gaming had processes for identifying security threats and detecting security incidents, by March 2015, it had not developed policies and procedures to monitor IT security and respond to security issues when they occur.

For example, during 2014-15 we identified that Liquor & Gaming did not have a documented process for making critical updates to its systems (i.e., patch management policy). For the three servers we tested, we identified 19 critical updates that were not made on a timely basis. Failure to monitor IT security and respond to security issues increases the risk of unauthorized access to IT systems and data without detection.

During 2014-15, Liquor & Gaming started to implement a new IT security system. In December 2014, it formed a committee focused on reviewing and strengthening IT security processes. It indicated that it expects to continue to develop and implement additional security monitoring procedures in 2015-16.

4.2 Consistent Compliance With User Access IT Policies and Procedures Needed

We recommended that Saskatchewan Liquor and Gaming Authority follow its approved information and technology (IT) policies and procedures. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

Status – Not Implemented with respect to user access IT policies and procedures

Liquor & Gaming management did not receive periodic user access reports to assess whether user access to its significant IT systems was appropriate. Also, during 2014-15, Liquor & Gaming staff continued to not consistently follow approved policies for granting and removing user access privileges to key IT systems. For example, we noted that Liquor & Gaming:

- Gave three individuals access to an IT system that was not needed to carry out assigned responsibilities
- Gave three individuals conflicting access privileges to certain IT systems that resulted in a lack of segregation of incompatible duties

- Did not remove IT access privileges of 14 individuals no longer in its employ; one of those individuals had administrator access to its store inventory system

Our testing did not find these individuals suspiciously used their inappropriate access.

Giving staff inappropriate user access increases the risk of fraud or inappropriate modification to data. Delays in removing unneeded user access increase the risk of unauthorized disclosure, inappropriate modification, or loss of data.

Management indicated it expects to implement processes for validating user access to its significant systems in 2015-16.

4.3 Slot Machine Records Up to Date

We recommended that Saskatchewan Liquor and Gaming Authority verify, on a timely basis, information from its service provider on purchases and disposals of its slot machines to enable it to keep its financial records up to date. (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

Status – Implemented

Liquor & Gaming has contracted a service provider, Western Canadian Lottery Corporation – Saskatchewan Division (WCLC), to administer the operating system and provide general physical maintenance of Liquor & Gaming's slot machines. At March 31, 2015, Liquor & Gaming owned about 2,300 slot machines with a net book value of $13.7 million.[3]

During 2014-15, Liquor & Gaming's financial staff received and verified information from WCLC monthly, and updated its financial and capital assets records for purchases and disposals of slot machines accordingly.

4.4 Corporate-Wide Risk Framework Implemented

We recommended that Saskatchewan Liquor and Gaming Authority develop and implement an enterprise risk management framework and plan. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Implemented

During 2014-15, Liquor & Gaming finalized and implemented its enterprise risk management framework. The framework sets out the value of a corporate-wide risk assessment, the levels at which Liquor & Gaming intends to assess risk, and how risk will be ranked and addressed.

Liquor & Gaming used its framework to complete a corporate-wide risk assessment that was aligned with the objectives in its strategic plan. Risks were identified, documented, and prioritized. The risk assessment also included strategies to mitigate these risks to an acceptable level.

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[3] Saskatchewan Liquor & Gaming Authority's 2014-15 audited financial statements.

Chapter 27
Saskatchewan Research Council

1.0 MAIN POINTS

Saskatchewan Research Council (SRC) had reliable financial statements for the year ended March 31, 2015. SRC had effective rules and procedures to safeguard public resources except that it did not follow its established processes to verify the bonus payouts to its senior executives. SRC complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except it did not obtain the required Lieutenant Governor in Council approval of the remuneration it pays to its Board members or Treasury Board's approval, as required by law, of the change in its bank account.

2.0 INTRODUCTION

SRC was established pursuant to section 3 of *The Research Council Act*. SRC's mission is to help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment. It does this through research, development and transfer of innovative scientific and technological solutions, applications and services.

As set out in **Figure 1**, in 2014-15, SRC had revenues of $72.7 million and expenses of $66.3 million. At March 31, 2015, it held assets of $54.6 million including tangible capital assets of $27.4 million.

Figure 1—Revenues and Expenses

	Actual 2014-15	Actual 2013-14
	(in millions)	
Contract Revenue	$ 52.3	$ 39.3
Transfer from General Revenue Fund	20.4	19.7
Total Revenue	$ 72.7	$ 59.0
Salaries and Benefits	27.1	31.6
Contract Services	20.5	10.5
Accommodation Charges	7.8	8.8
Supplies	5.5	5.3
Depreciation of Property, Plant and Equipment	4.2	4.6
Travel, Training and Education	1.2	1.5
Total Expense	$ 66.3	$ 62.3

Source: Audited March 31, 2015 financial statements.

SRC's financial statements include the accounts of TecMark International Commercialization Inc., its wholly-owned subsidiary (TecMark). TecMark was incorporated under *The Business Corporations Act (Saskatchewan)* in 1996. It holds certain patents and other non-tangible assets of SRC.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **SRC had reliable financial statements**
- **SRC had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **SRC complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**

The Research Council Act
Orders in Council issued pursuant to the above legislation
The Financial Administration Act, 1993
The Executive Government Administration Act

We used the control framework published by CPA Canada to make our judgments about the effectiveness of SRC's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We focused our audit effort on the following areas. We evaluated the accuracy and reasonableness of SRC's estimated provision for decommissioning of the SLOWPOKE[1] reactor including the reasonableness of key assumptions, and any changes in assumptions used.

To evaluate the appropriateness of revenue earned during the year and unearned revenue recorded at year-end, we reviewed the accounting for significant contracts entered into by SRC throughout the year. In addition, we reviewed the details of these contracts and the correctness of accounting treatment for each contract. To evaluate the appropriateness of deferred revenue, we assessed the continuity of amounts deferred and recalculated related amortization. We tested whether SRC followed its established procedures for appropriate cut-off of unearned and deferred revenue accounts.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Chief Executive Officer Bonus Overpayment

SRC did not follow established processes to verify the calculation of the long-term incentive and short-term incentive payouts to senior executives. Each year, management is to calculate and the Board is to review and approve these payouts to SRC senior executive (e.g., President & CEO).

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[1] SLOWPOKE (or Safe LOW-Power Kritical Experiment) is a low power nuclear reactor used primarily as an analytical tool for commercial analysis and research. http://blog.src.sk.ca/environment/research-reactor-valuable-industry-tool/ (8 September 2015).

In April 2014, the SRC Board determined and approved the long-term incentive (LTI) payout to SRC's President & CEO. SRC paid the approved amount without verifying the accuracy of the calculation of the amounts. In 2014-15, SRC identified that an error was made in the calculation of the April 2014 LTI, resulting in an overpayment of approximately $130,000 to SRC's President & CEO. SRC recovered this overpayment in full by April 2015.

Not having a second check of the LTI payout calculation increases the risk of errors in the calculation; also, if overpayments of bonuses occur, they may not be recoverable resulting in a loss to SRC.

1. **We recommend that the Saskatchewan Research Council follow its processes to review and verify incentive bonuses to its senior executives prior to paying them out.**

4.2 Bank Account Changes Need Approval

The Research Council Act (Act)[2] requires that all money appropriated by the Legislature for the purposes of this Act be deposited in a chartered bank designated by Treasury Board.

In September 2012, SRC changed its bank account without seeking or obtaining Treasury Board's approval. As a result, SRC did not comply with the Act.

2. **We recommend that the Saskatchewan Research Council obtain Treasury Board approval, as required by law, for the use of its bank account.**

4.3 Board Remuneration Needs Proper Approval

We recommended that the Saskatchewan Research Council obtain Lieutenant Governor in Council approval, as required by law, for the remuneration it pays to its Board members. (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

Status – Not Implemented

At March 31, 2015, SRC had not yet obtained appropriate approval of its board remuneration rates. During 2014-15, SRC paid its board approximately $120,000 for remuneration.

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[2] Section 15 of *The Research Council Act*.

The Research Council Act (Act)[3] specifies that "Each member of the council who is not a government employee shall be paid any remuneration for his services and allowances for travelling and other expenses that may be determined by the Lieutenant Governor in Council." An Order in Council is a directive issued by the Lieutenant Governor on the advice of Cabinet that authorizes a payment and makes the decision public.

In November 2009, Treasury Board approved an increase in board remuneration rates for members of SRC's Board and SRC has used these increased rates to pay its Board members since that time. SRC has not properly sought or obtained the Lieutenant Governor in Council's approval of this increase in rates. As such, the rates it pays its Board have not been approved as required by its Act, and have not been made public.

4.4 Losses Reported

We recommended that the Saskatchewan Research Council report losses resulting from fraud or potential illegal acts as required by the *Financial Administration Manual*. (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

Status – Implemented

In 2013-14, SRC incurred a loss from the sale of assets that SRC had consigned to a third party. In 2014-15, SRC subsequently reported the loss to the Provincial Comptroller as required by the *Financial Administration Manual*.

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[3] Section 6.

Chapter 28
Social Services

1.0 MAIN POINTS

This chapter reports the results of our 2015 audits of the Ministry of Social Services (Ministry) and its three special purpose funds. The 2015 financial statements of each fund are reliable. The Ministry and its funds complied with authorities governing their activities, and had effective rules and procedures to safeguard public resources except for the following. The Ministry needs to follow its established procedures for removing unneeded user access to its computer systems and data and to ensure only appropriate recipients receive the correct amount of social assistance. It also needs to continue to work with community-based organizations (CBOs) to establish performance measures and targets, and monitor CBOs compliance with the Ministry's reporting requirements on a more timely basis.

2.0 INTRODUCTION

The mandate of the Ministry is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry assists these efforts through income supports, child and family services, supports for people with disabilities, efforts to develop affordable housing, and by building greater capacity in community-based organizations.[1]

2.1 Financial Overview

In 2014-15, the Ministry spent $980.5 million to deliver its programs (see **Figure 1**). It also had revenues totalling $33.4 million primarily from transfers from the federal government (e.g., special allowance for children in care).[2] Further information about the Ministry's revenues and expenses is available in its annual report.

Figure 1—Expense by Major Programs

	Estimates 2014-15*	Actual 2014-15
	(in millions)	
Central Management and Services	$ 50.1	$ 50.6
Income Assistance and Disability Services	660.4	675.8
Child and Family Services	218.4	234.3
Client Support	19.4	17.9
Housing	14.6	6.3

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[1] Ministry of Social Services, *2014-15 Annual Report*, p. 3. www.finance.gov.sk.ca/PlanningAndReporting/2014-15/2014-15SocialServicesAnnualReport.pdf (8 September 2015).
[2] Ibid, pp. 20-22.

	Estimates 2014-15*	Actual 2014-15
	(in millions)	
Total Appropriation	962.9	984.9
Capital Asset Acquisitions	(11.1)	(8.6)
Capital Asset Amortization	4.7	4.2
Total Expense	$ 956.5	$ 980.5

Source: Ministry of Social Services *2014-15 Annual Report*, p. 20.
* During 2014-15, the Ministry received a budget increase through a special warrant of $29.6 million.

2.2 Special Purpose Funds and Crown Agency

The Ministry is responsible for the following funds with March 31 year-ends and the Saskatchewan Housing Corporation, which has a December 31 year-end. We reported the results of our 2014 audit of the Saskatchewan Housing Corporation in our *2015 Report – Volume 1*.

Social Services Central Trust Account
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund
Social Services Valley View Centre Residents' Trust Account

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- **The Ministry had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

- **The Ministry and its funds complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

The Child and Family Services Act
The Child and Family Services Regulations
The Child Care Act
The Child Care Regulations, 2001
The Rehabilitation Act
The Rehabilitation Regulations
The Vocational Rehabilitation Regulations
The Residential Services Act
The Private-service Homes Regulations
The Residential-service Facilities Regulations
The Saskatchewan Assistance Act
The Benefit Adjustment Regulations
The Disability Housing Supplement Regulations
The Employment Supplement Regulations
The Personal Care Home Benefit Regulations
The Rental Housing Supplement Regulations
The Saskatchewan Assistance Regulations, 2014
The Saskatchewan Assured Income for Disability Regulations, 2012
The Transitional Employment Allowance Regulations, 2005
The Saskatchewan Income Plan Act
The Seniors Income Plan Regulations
The Social Services Administration Act
The Executive Government Administration Act
The Ministry of Social Services Regulations, 2007
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation

- **The financial statements of each fund are reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the Ministry's financial management of its significant programs including corporate and support services, child welfare, income support for low income families, seniors and people with disabilities, social assistance for people out of work, housing, and services to support families and people with disabilities.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Timely Removal of User Access Needed

The Ministry did not consistently follow its procedures for promptly removing unneeded user access to its computer systems and data.

During the audit, we found the Ministry did not request timely removal of access to the financial and payroll systems for 4 out of 5 individuals we tested. One user did not have their access removed until 19 days after the individual left the Ministry's employ. Additionally, the Ministry did not request timely removal of network access for 4 out of 10 of the individuals we tested. For example, one user did not have their network access removed until 45 days after the individual left the Ministry's employ.

Without following its established procedures for removing user access, the Ministry is exposed to the risks of loss of public money and inappropriate access to confidential information (e.g., details about children in care, social insurance numbers, or banking information about individuals collecting social assistance).

1. **We recommend that the Ministry of Social Services follow its established procedures for removing unneeded user access to its computer systems and data promptly.**

4.2 Certain Information Technology Controls Improved

We recommended that the Ministry of Social Services monitor the effectiveness of the Ministry of Central Services' security to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – Implemented

In 2014-15, the Ministry received reports from the Ministry of Central Services outlining known security issues including issues resulting from Ministry legacy applications[3] without vendor support.[4] For example, these applications include those used to support social benefit programs such as Saskatchewan Assistance Program, Saskatchewan Assured Income for Disability, and family and youth programs. Regular receipt of information on security issues helps the Ministry make decisions about the security of its information technology systems. In the fall of 2015, the Ministry expects to complete its work to replace certain key legacy applications with a vendor-supported application.

We recommended that the Ministry of Social Services complete its business continuity planning by testing its business continuity plan. (2003 Report – Volume 3; Public Accounts Committee agreement September 28, 2004)

Status – Implemented

In September 2014, the Ministry approved its business continuity plan. This plan included a risk-based approach to determine the frequency and type of testing at its various locations. During 2014-15, the Ministry completed its testing consistent with the approach and the schedule set out in the plan.

4.3 Processes for Social Assistance Payments Need to be Followed

We recommended that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance. (2000 Report – Volume 3; Public Accounts Committee agreement June 6, 2001)

Status – Partially Implemented

In 2014-15, the Ministry paid social assistance clients[5] about $349 million.

As we have reported since 2001, the Ministry's employees do not consistently follow the Ministry's legislation or its detailed policies and procedures for making payments to social assistance clients.[6] In 2014-15, we found the following:

- 9 out of 15 files with home repair expenses did not include adequate documentation (e.g., invoices, estimates)
- 6 out of 14 files with funeral expenses did not include adequate documentation (e.g., support for transportation costs)

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[3] Legacy applications are those that run critical business operations but struggle to efficiently support current business needs. The applications have been superseded by newer and often more effective technologies.

[4] Applications without vendor support are those for which vendors no longer provide technical support or updates to fix known security problems or vulnerabilities.

[5] A person who seeks social assistance is called a client.

[6] These policies and procedures set out how to calculate, verify, and authorize payments to social assistance clients.

- 3 out of 36 files had assistance payments that were not appropriately approved in accordance with policy
- 11 out of 41 files did not include adequate documentation (e.g., utilities) and 18 out of 41 files did not have the recipients' financial needs correctly assessed (e.g., rent, allowances)

The lack of compliance with Ministry legislation and policies could result in some recipients receiving incorrect amounts of social assistance.

4.4 Some Improvements in Supervision of Community-Based Organizations Noted

We recommended that the Ministry of Social Services work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving the Ministry's operational objectives. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

Status – Partially Implemented

For the year ended March 31, 2015, the Ministry paid about $235 million to over 200 community-based organizations (CBOs) that provide services on the Ministry's behalf. CBOs provide services to people to enable them to live in their own homes (who otherwise could not). CBOs also provide programs such as group homes and youth-at-risk intervention programs.

As previously reported, none of the Ministry's agreements with CBOs include performance measures and targets for the program objectives and outcomes set out in the agreements. Use of performance measures and targets (i.e., performance measurement systems) allows the Ministry to assess CBO performance and track progress in achieving results. It would also help the Ministry determine whether money it paid to CBOs achieved the results the Ministry has intended. Successful performance measurement systems measure key drivers of success without creating an administrative burden. Determining the key drivers of success can be challenging.

To address the challenge of deciding what to measure, during 2014-15, the Ministry piloted a test program for developing performance outcomes and measurement tools with nine Child and Family Services CBOs. As part of this pilot program, the Ministry identified appropriate outcomes, tested different outcome measurement tools, evaluated the results, and made recommendations to management on how to best expand this program to other CBOs.

We recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

Status – Partially Implemented

The Ministry requires CBOs, through its service agreements, to submit operational reports that describe services and activities, and quarterly and annual financial reports.

In 2014-15, the Ministry received all the required reports from CBOs and completed timely reviews of those reports. However, CBOs continued to submit the reports later than deadlines set out in the agreements. For example, for the files we reviewed, 40% of the CBOs' audited financial statements and 18% of the CBO's quarterly financial reports were submitted late (2013-14: 23% and 13% respectively).

The Ministry needs to work with CBOs to identify and address reasons for reports being submitted later than required. Not receiving reports from CBOs when expected increases the risk that the Ministry cannot take timely corrective action as needed.

Chapter 29
Teachers' Dental Plan

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Teachers' Dental Plan (Plan) for the year ended June 30, 2015.

The Teachers' Superannuation Commission (Commission) had effective rules and procedures to safeguard the Plan's public resources except it did not have adequate support for dental payments. As a result, the Commission continues to be unable to prepare financial statements for the Plan for inclusion in its annual report.

During the year, the Commission complied with authorities governing the Plan's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the lack of adequate support for dental payments.

2.0 INTRODUCTION

The Commission manages and administers the Plan. The Plan provides Saskatchewan teachers and their dependents with coverage for certain dental services. The Commission uses an insurance company (service provider) to help administer the Plan.

The Ministry of Education (through the General Revenue Fund) pays for all of the dental services provided through the Plan. During 2014-15, the Commission paid $13 million (2013-14: $11 million) for dental claims and related administrative costs.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended June 30, 2015:

- **The Teachers' Superannuation Commission had effective rules and procedures to safeguard the Plan's public resources except for the matters reported in this chapter**

- **The Teachers' Superannuation Commission complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the need for adequate support for dental payments:**

  The Teachers' Dental Plan Act
  The Teachers' Superannuation and Disability Benefits Act
  The Financial Administration Act, 1993
  Orders in Council issued pursuant to the above legislation

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Commission's controls over the Plan. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives. Because dental payments made to members are a significant audit area, we tested a sample of dental payments to verify the eligibility and accuracy of the claims and compliance with governing authorities.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Reconciliation Process for Dental Payments Needed

We recommended that the Teachers' Superannuation Commission have adequate support for dental payments. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

Status – Partially Implemented

During 2014-15, the Commission continued to obtain financial data from its service provider that it needs to reconcile dental payments made to dental claims. At September 2015, the Commission had not yet completed the development of a system to reconcile the details of claims made with the monthly claims paid report (dental reconciliation process). Once completed, the Commission plans to use the reconciliation to follow up differences and ensure that payments are made only to eligible teachers for eligible services.

4.2 Reporting Improvements Awaiting Completion of Reconciliation Process

We recommended that the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

Status – Partially Implemented

We recommended that the Teachers' Superannuation Commission annual report include the financial statements of each benefit plan the Commission administers. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

Status – Partially Implemented as it relates to the Teachers' Dental Plan

After the Commission establishes the dental reconciliation process described in **Section 4.1**, it plans to:

- Complete written guidance for preparing interim and year-end financial reports for the Dental Plan.
- Prepare financial statements for the Dental Plan and include them in the Commission's Annual Report. Consistent with prior years, the Commission continued to provide summarized financial information about the Dental Plan in its Annual Report.

Chapter 30
Water Security Agency

1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Water Security Agency (Agency) for the year ended March 31, 2015.

The Agency's 2014-15 financial statements are reliable; it complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Other than the need for a complete and tested business continuity plan, the Agency had effective rules and procedures to safeguard public resources.

2.0 INTRODUCTION

The Agency is responsible for managing the water supply, protecting water quality and ensuring safe drinking water, managing dams and water supply channels, reducing flood and drought damage and providing information on water.[1] The Agency owns and operates provincial dams and water supply channels.

At March 31, 2015, the Agency held assets of $430 million and had liabilities of $43 million. During the year ended March 31, 2015, the Agency had annual revenue of $59 million and had a surplus for the year of $10 million. Each year, the Agency gives its annual report,[2] including its audited financial statements, to the Legislative Assembly.

3.0 AUDIT CONCLUSIONS

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of the Agency. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[3]

In our opinion, for the year ended March 31, 2015:

- **The Agency's financial statements are reliable**
- **The Agency had effective rules and procedures to safeguard public resources except for the lack of a complete and tested business continuity plan**
- **The Agency complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Water Security Agency Act
  The Saskatchewan Watershed Authority Regulations

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[1] Water Security Agency, *2014-15 Annual Report*, p. 4.
[2] The Water Security Agency's annual report can be found at www.wsask.ca.
[3] See our website at www.auditor.sk.ca.

The Drainage Control Regulations
The Water Power Act
The Water Power Rental Regulations
The Crown Employment Contracts Act
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Agency's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Business Continuity Plan Not Complete

We recommended that the Water Security Agency implement and test a business continuity plan. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

Status – Partially Implemented

The Agency made limited progress on this recommendation in 2014-15. It continued to refine its business continuity plan, including its disaster recovery plan, for its critical information technology (IT) systems that support its business critical services (e.g., flood forecasting, water supply and dam management, drinking water regulation). However, by March 31, 2015, it did not have a complete and tested business continuity plan. Without a complete and tested plan, the Agency is at risk of not being able to deliver business critical services when needed.

Chapter 31
Summary of Implemented Recommendations

1.0 MAIN POINTS

This chapter provides an update on recommendations that were implemented and are not discussed elsewhere in this Report.

2.0 SUMMARY OF IMPLEMENTED RECOMMENDATIONS

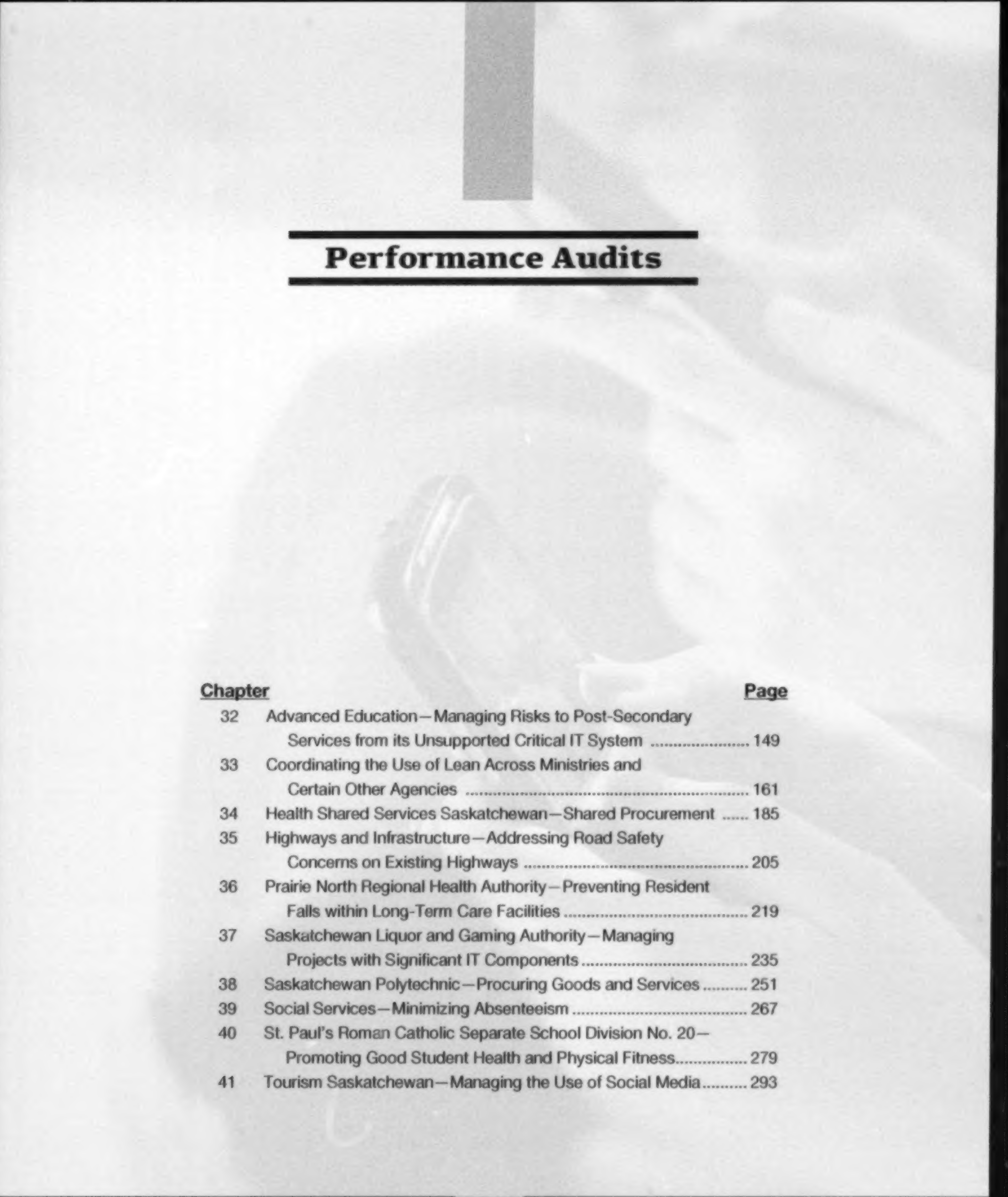
Figure 1 sets out, by agency, the recommendation(s) and highlights key actions taken by each agency to implement its recommendation(s).

Figure 1—Implemented Recommendations

Past Recommendation (Initial PAS Report, Date of Agreement of PAC)*	Key Actions Taken During 2014-15 to Implement Recommendations
Labour Relations and Workplace Safety	
We recommended that the Ministry of Labour Relations and Workplace Safety follow its established procedures for prompt removal of unneeded user access to its computer systems and data. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	The Ministry of Labour Relations and Workplace Safety consistently followed its established procedures for removing user access to its computer systems and data for individuals who no longer work for the Ministry.
Ministry of the Economy	
We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)	The Ministry of the Economy removed unneeded network user and system access in a timely manner.
We recommended that the Ministry of the Economy sign a complete memorandum of understanding with the Ministry of Advanced Education that defines all key roles and responsibilities for shared services. (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)	In May 2015, the Ministry of the Economy entered into an agreement with the Ministry of Advanced Education for shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance. The updated agreement clearly defines the key roles and respective responsibilities of each of the shared services.
North Sask. Laundry & Support Services Ltd.	
We recommended that North Sask. Laundry & Support Services Ltd. establish policies and procedures for controlling payments to its employees. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)	North Sask. Laundry & Support Services Ltd. put payroll processing policies and procedures in place. Its supervisors reviewed and approved all staff timesheets before processing payroll.
We recommended that North Sask. Laundry & Services Ltd maintain complete and accurate financial records. (2012 Report – Volume 2; Public Accounts Committee agreement March 12, 2014)	North Sask. Laundry & Support Services Ltd.'s financial records were complete and accurate. It documented evidence of regular review and explanations of differences between planned and actual results.

Past Recommendation (Initial PAS Report, Date of Agreement of PAC)*	Key Actions Taken During 2014-15 to Implement Recommendations
Saskatchewan Crop Insurance Corporation	
We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1; Public Accounts Committee agreement November 26, 2014)	In conjunction with the Ministry of Agriculture and the federal department of Agriculture and Agri-Food Canada, Saskatchewan Crop Insurance Corporation developed an estimate of the measurement uncertainty associated with the AgriStability benefits liability estimate and disclosed such in its annual report. Saskatchewan Crop Insurance Corporation recorded a liability of $93.2 million at March 31, 2015 and disclosed that this amount could range between $53.2 million and $123.8 million.

* PAS – Provincial Auditor of Saskatchewan.
PAC – Standing Committee on Public Accounts.



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Chapter 32
Advanced Education—Managing Risks to Post-Secondary Services from its Unsupported Critical IT System

1.0 MAIN POINTS

The Ministry of Advanced Education (Ministry) is responsible for the post-secondary education system, including coordinating, developing, implementing, and promoting the Government's programs related to post-secondary education.[1] The Ministry uses its One Client Service Model (OCSM) system to support the delivery of the programs.

The OCSM system resides on information technology (IT) infrastructure that is past its recommended life and for which it can no longer receive technical support or updates to fix known security problems or vulnerabilities (i.e., unsupported). Systems running on unsupported infrastructure are at greater risk of availability and security issues that could impact operations.

For the 12-month period ended August 31, 2015, the Ministry had, other than the following, effective processes to manage the risks to service delivery from its unsupported information technology system, the OCSM system. The Ministry needs to:

- Clarify roles and responsibilities for upgrading and patching the IT infrastructure on which the OCSM system resides
- Periodically obtain information to support decisions related to the IT infrastructure
- Implement long-term plans for upgrading and patching the IT infrastructure

Other ministries and agencies with IT systems that are unsupported may find the criteria in this chapter helpful in self-assessing their processes for managing risks related to their unsupported IT systems. See **Section 6.0 Glossary** for definition of IT terms.

2.0 INTRODUCTION

The Ministry works with other key stakeholders, including the Ministry of the Economy (Economy) and post-secondary education institutions to carry out its mandate. It provides operating and capital funding to post-secondary institutions, as well as financial support to post-secondary students (e.g., student loan programs, bursaries). For 2015-16, it expects to provide $707.8 million[2] (2014-15: $716.1 million)[3] to post-secondary institutions and $56.6 million[4] (2014-15: 90.1 million)[5] to support students.

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[1] *The Ministry of Advanced Education Regulations*, s. 3.
[2] Ministry of Advanced Education, *Plan 2015-16*, p. 10.
[3] Ministry of Advanced Education, *2014-15 Annual Report*, p. 22.
[4] Ministry of Advanced Education, *Plan 2015-16*, p. 10.
[5] Ministry of Advanced Education, *2014-15 Annual Report*, p. 22.

The OCSM system is the primary IT system used to deliver key post-secondary services of the Ministry, certain post-secondary institutions,[6] and Economy. Key post-secondary services include student financial assistance, training programs, registration services, and employment-related counselling.

The OCSM system resides on certain IT infrastructure (i.e., application server hardware, application server operating system, and application and database operating software [i.e., Oracle]) that is past its recommended life and unsupported (i.e., vendors no longer provide technical support or updates to fix known security problems or vulnerabilities). This unsupported state may impact the availability and efficiency of the system over the long term.

2.1 Overview of OCSM System

The OCSM system is the key IT system of the Ministry. The Ministry is the steward of the OCSM system, and jointly manages it with Economy.

Some post-secondary institutions, the Ministry, and Economy rely significantly on the OCSM system to carry out their operations. The ministries use information in the OCSM system to apply for various federal-provincial cost-sharing programs, provide student loans, and make decisions about training programs (e.g., adult basic education, technical training to meet needs of employers). For example, in 2014-15, the Ministry provided over $53 million in student loans to about 12,000 full-time students[7] and Economy provided about $140 million for training programs,[8] some of which are reimbursed by the federal government. Post-secondary institutions use the OCSM system to manage student registrations and make operational decisions (e.g., budget, human resources). Student enrollments total about 20,000 in Saskatchewan's seven regional colleges.[9]

The Ministry pays the Ministry of Central Services to host and support the OCSM system. Hosting services provided by Central Services include certain security controls (e.g., firewalls, intrusion detection systems) that can help to reduce the risk of unauthorized access to hosted systems.

Figure 1 illustrates the various stakeholders and programs related to the OCSM system.

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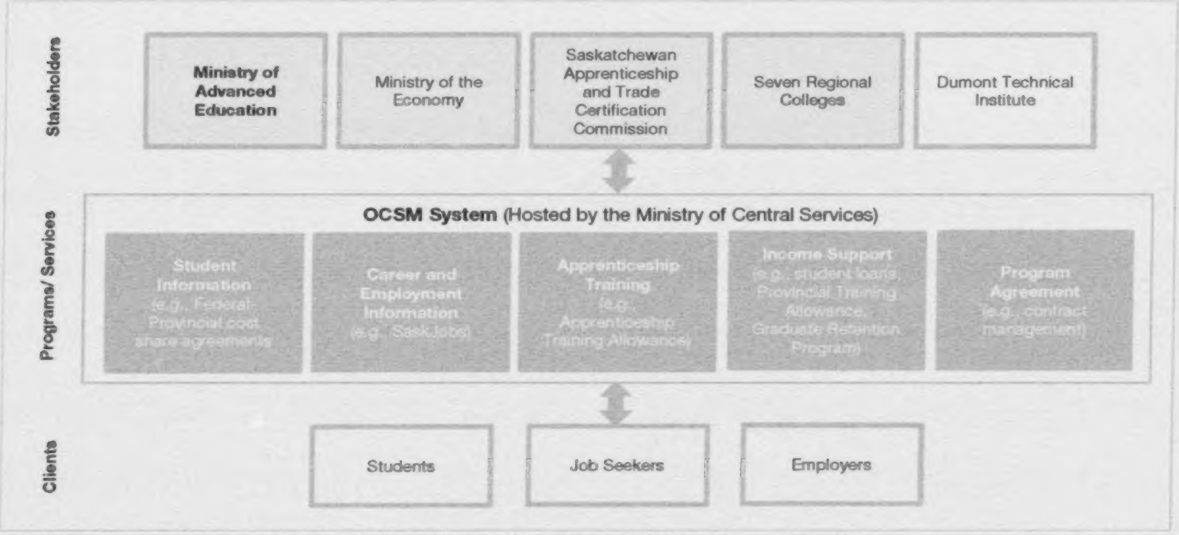
[6] Post-secondary institutions that use the OCSM system include the seven regional colleges, the Association of Regional Colleges, Saskatchewan Apprenticeship and Trade Certification Commission, and Gabriel Dumont Institute.
[7] Ministry of Advanced Education, *Annual Report for 2014-15*, p. 9.
[8] Ministry of the Economy, *Annual Report for 2014-15*, p. 35.
[9] Ministry of Advanced Education, *Annual Report for 2014-15*, p. 10.

Figure 1—OCSM System Stakeholders and Programs


Stakeholders
Ministry of Advanced Education
Ministry of the Economy
Saskatchewan Apprenticeship and Trade Certification Commission
Seven Regional Colleges
Dumont Technical Institute
Programs/ Services
OCSM System (Hosted by the Ministry of Central Services)
Student Information (e.g., Federal-Provincial cost share agreements
Career and Employment Information (e.g., SaskJobs)
Apprenticeship Training (e.g., Apprenticeship Training Allowance)
Income Support (e.g., student loans, Provincial Training Allowance, Graduate Retention Program)
Program Agreement (e.g., contract management)
Clients
Students
Job Seekers
Employers

Shaded Stakeholders are government entities; Ministry of Advanced Education (in bold) is the focus of this audit.
Source: Adapted from information provided by Ministry of Advanced Education.

2.2 A Brief History of the OCSM System

The OCSM system (an Oracle application and database) was developed in modules between 1999 and 2005.

Since 2005, significant changes to the OCSM system have been limited. In 2009 and again in 2013, the Ministry, through Central Services, upgraded OCSM database servers that were experiencing significant performance issues. However, the remaining IT infrastructure the OCSM system uses is past its end of life and unsupported as of August 31, 2015. For example, the Ministry and Central Services have not upgraded the underlying application and database operating software (i.e., Oracle) since vendor support ended in July 2008; this means no vendor security updates or other fixes have been possible for the past seven years. See **Figure 2** for a timeline of key events since the OCSM system's inception.

Figure 2—Timeline of Key Events for the OCSM System

1997: Adoption of a client-centred service model for common identity management (concept).

1999: First module, Career and Employment Information System, goes live.

2005: Last module, Integrated Income Support System (for student loans, provincial training allowance, and apprenticeship training allowance), goes live. The OCSM system infrastructure is upgraded.

2007: Student loan online application goes live.

2008: Vendor support ends for the underlying application and database operating software (Oracle).

2009: OCSM system's database server hardware and operating system upgraded.

2010: Provincial Training Allowance online application goes live.

2011: OCSM system experiences efficiency problems. Development of plan for the OCSM system mitigation and stabilization.

2013: OCSM system mitigation phase completed (i.e., database server hardware and operating system upgraded). Validation and initial planning for stabilization phase completed.

2015: Work begins on the stabilization phase.

Source: Adapted from information provided by Ministry of Advanced Education.

2.3 Risks of Running an Unsupported IT System

The lifespan of IT systems varies, with many public and private sector organizations choosing to use many IT systems for more than 10 years. While older IT systems may meet current needs, they may pose certain risks if the infrastructure on which they reside is not properly maintained. These risks include:

- **Disruption to service continuity** – system instability due to failing components or lack of people with the necessary skills to service these systems
- **Access to data** – information becomes increasingly cumbersome to extract and analyze as systems age
- **Security** – the system may not be able to be modified to meet changing security requirements (e.g., password complexity) or to respond to cyber threats[10] (e.g., bug fixes or patches no longer available to address security weaknesses)
- **Limited adaptability** – new business requirements (e.g., regulatory compliance, changing client expectations such as wanting online services) may be more difficult, time-consuming, and costly to implement
- **Rising maintenance costs** – costs increase due to complexity and difficulty carrying out maintenance activities, few service providers, and parts are scarce and costly
- **Manual workarounds** – manual processes required due to the lack of functionality within the system or inability to interface with other systems (e.g., performing detailed calculations on spreadsheets, re-entering data into other systems) as a result of being unable to use new software features only available in an updated version
- **Hidden costs** – the cost of workarounds and manual processes may not be identified, which could lead to poor decision-making[11]

Without sufficient and timely investment (e.g., financial, human resource), the risk of the OCSM system failing increases. Loss of the availability of the OCSM system prevents users from efficiently delivering key services to post-secondary students (e.g., not registering students for courses causing training delays and loss of revenues) and results in additional expenses (e.g., manual workarounds).

In addition, the OCSM system includes sensitive data about post-secondary students and some of their family members. Sensitive and confidential data include social insurance numbers, health numbers, birth dates, banking data, and income data.

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[10] Cyber threats lead to risk of attackers hacking systems using electronic means such as the internet.

[11] Office of the Auditor General of Canada. (2010). *Report of the Auditor General of Canada – Spring 2010, Chapter 1, Aging Information Technology Systems*, p. 6; United Kingdom National Audit Office (2013). Managing the risks of legacy ICT to public service delivery, p. 19.

Unsupported infrastructure of the OCSM system increases the risk of unauthorized access to sensitive information.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Ministry of Advanced Education's processes to manage the risks to service delivery from its unsupported information technology system, the One Client Service Model (OCSM) system, for the 12-month period from September 1, 2014 to August 31, 2015. Unsupported IT systems are those for which vendors no longer provide technical support or updates to fix known security problems or vulnerabilities.

We examined the Ministry's policies, summaries of risks, risk management plans, and progress reports related to managing risks to service delivery from the OCSM system's unsupported state. We interviewed the Ministry's staff involved in management of the OCSM system and its related risks. We examined minutes from IT committees and other communications with stakeholders about risks posed by the OCSM system's unsupported state.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria (see **Figure 3**).

Figure 3—Audit Criteria

1. **Analyze risks using a risk management framework**
    - 1.1 Identify significant risks
    - 1.2 Determine impact and likelihood of risks occurring (e.g., collect data about incremental costs and adverse events caused by the system)
    - 1.3 Evaluate if risks exceed acceptable risk levels
    - 1.4 Confirm evaluation of risks with key stakeholders that use the system
2. **Implement a risk management plan**
    - 2.1 Analyze options with key partners (e.g., Ministry of Central Services) to address unacceptable risks (e.g., consider cross-agency solutions)
    - 2.2 Allocate resources
    - 2.3 Implement cost-effective, long-term strategies for addressing risks
3. **Monitor risk responses**
    - 3.1 Analyze actions and results compared to plan
    - 3.2 Recommend changes to plan based on results
    - 3.3 Report results to senior management and key stakeholders that use the system

We concluded that for the 12-month period from September 1, 2014 to August 31, 2015, the Ministry of Advanced Education had, other than the following, effective processes to manage the risks to service delivery from its unsupported information technology system, the One Client Service Model (OCSM) system. The Ministry of Advanced Education needs to:

- **Clarify roles and responsibilities for upgrading and patching the information technology infrastructure on which the OCSM system resides**
- **Periodically obtain information to support decisions related to the information technology infrastructure**

- **Implement long-term plans for upgrading and patching the information technology infrastructure**

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Complete Information for Risk Analysis Needed

We expected the Ministry to determine the impact and likelihood of significant IT risks associated with the OCSM system, and use this information to evaluate if those risks exceed acceptable risk levels. Confirmation of risks with key stakeholders that use the OCSM system would help ensure the analysis appropriately evaluated all relevant risks.

The Ministry had an enterprise risk management policy and framework. It used this framework to consider the risks and lost opportunities (e.g., availability, security, limited adaptability) posed by the unsupported state of the OCSM system infrastructure. It included these risks in its list of enterprise risks.[12] It also considered possible causes leading to the OCSM system infrastructure's unsupported state (e.g., lack of upgrade and patching schedule, difficulties resolving funding sources, lack of collaboration/co-operation with key stakeholders). It also conducted surveys to assess stakeholder and client satisfaction with the OCSM system.

To help with its assessment of risk for the OCSM system, the Ministry requested from Central Services information about maintenance costs incurred, unavailability (downtime) statistics, and system weaknesses. Because Central Services could not provide all information requested, the Ministry carried out additional processes to increase the data available for the risk assessment. These processes included implementing monitoring tools to gather additional availability statistics and conducting security assessments[13] to identify system weaknesses. For example, using information from Central Services and its own tool, the Ministry identified about 47 hours of system unavailability (i.e., outages) where users could not access the OCSM system during April 1, 2013 to March 31, 2015. In May 2015, the OCSM system experienced its largest availability issue with a 66 hour outage.[14] The Ministry acknowledged these performance issues impacted its ability to provide services using the OCSM system.

The Ministry could not gather sufficient information about indirect costs such as manual workarounds or "break-fix"[15] costs. Also, the Ministry found that regular reports it received from Central Services did not provide complete information about the OCSM's system infrastructure, such as end of life/support dates and expected costs to upgrade to vendor supported infrastructure.

Information about indirect costs, end of life or support dates, and estimated costs to upgrade infrastructure is needed from Central Services to determine which options are the most cost effective to provide the required risk reduction. The Ministry requires this information to develop effective long-term plans for maintaining its OCSM system infrastructure over its expected remaining life.

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[12] Enterprise risks are financial, strategic, and operational risks faced by an organization.

[13] Security assessments test an IT system to find vulnerabilities that an attacker could exploit (e.g., vulnerability assessment, penetration testing).

[14] Obtained from Ministry of Advanced Education availability monitoring tool.

[15] "Break-fix" is the reactionary repair of an IT system due to issues with computer equipment, the network, or software programs.

Without sufficient, appropriate information about the risks, the Ministry may not correctly assess risks to make effective decisions.

1. **We recommend that, to analyze risks and make decisions about its One Client Service Model system, the Ministry of Advanced Education periodically obtain information about its One Client Service Model system's:**
    - **Indirect costs**
    - **Information technology infrastructure end of life or end of support dates**
    - **Estimated information technology infrastructure upgrade costs to maintain vendor support**

The Ministry's enterprise risk assessment process used information available to assess the impact and likelihood of risks occurring. The Ministry used an overall scoring method called a "heat map" to evaluate if the risks exceeded acceptable risk levels and to identify the top priorities for risk treatment. In the 2015 risk information, the OCSM system's unsupported IT infrastructure ranked as one of the top risk mitigation priorities for the Ministry.

While the Ministry's risk management processes reflected a Ministry-specific view, the risks related to the OCSM system's unsupported infrastructure are also applicable to other key stakeholders that use the OCSM system (e.g., Economy, regional colleges). The Ministry discussed risks to the OCSM system at its regular IT committee meetings with these stakeholders. The meetings provided stakeholders an opportunity to provide feedback so that the Ministry would be able to confirm its evaluation of risks or make necessary adjustments. For example, consistent with the Ministry's concerns, the biggest concern for stakeholders with regards to the OCSM system related to its limited adaptability and the lack of long-term planning for the system.

4.2 Implementation of Risk Management Plan Ongoing

4.2.1 Planning Options over Expected Remaining Life Needed

We expected the Ministry to work with its key partners to identify and analyze options to address unacceptable IT risks related to the OCSM system. The analysis would include assessment of the cost and suitability of options. The Ministry would use the analysis to select cost-effective risk management strategies for the short-, mid-, and long-term. We expected the Ministry to develop operational plans (e.g., multi-year action plans, deadlines, detailed financial and human resource budgets) to implement its IT risk management strategies and communicate the plans to its stakeholders.

The Ministry and Economy worked with Central Services to identify options for addressing risks related to the OCSM system including upgrades to the OCSM system infrastructure to a vendor-supported state. The analysis provided information about detailed actions and requirements, allocation of human resources, budget, and deadlines.

The Ministry has a strategy to make changes to the OCSM system infrastructure to enable it to have vendor support. In 2011, Central Services recommended a three-phase plan for the OCSM system:

- Mitigate immediate performance issues (mitigation phase)
- Move the OCSM system infrastructure to a supported state (stabilization phase)
- Meet additional business requirements of the sector (modernization phase)

The Ministry accepted this recommendation. The Ministry's *Information Management Strategic Plan – 2012-2016* included risks and plans related to the OCSM system's unsupported IT infrastructure. It completed the initial mitigation phase in 2012-13; this project included the replacement of database server hardware related to OCSM.

In 2013, Central Services provided the Ministry with two options for the stabilization phase: complete the work within one year or spread over two years. For each option, Central Services estimated the costs, deadlines, and business impacts such as human resources required. The Ministry worked with Central Services to validate the feasibility of plans for the stabilization phase. The Ministry selected the option to complete the work within one year, but funding was not identified to complete the work in that year.

Regional colleges communicated concerns in 2013 about delays in completing the stabilization phase and the impact on their ability to deliver services to students. They expressed declining confidence in the Ministry's ability to address the OCSM system's performance risks. In response, the Ministry has kept the regional colleges up to date about ongoing developments. Also, the Ministry initiated business capability planning to document gaps in the system's functionality and opportunities for improvements, and completed additional assessments of the system to refine its risk analysis.

In 2014, the Ministry revisited its plans for the stabilization phase to determine what work could be done with existing resources (e.g., divide work into manageable pieces that can be completed and afforded over a longer timeframe). The Ministry worked with stakeholders to prioritize other sector IT initiatives to reallocate funding to the stabilization phase. Following this, the Ministry and Economy worked with Central Services to update the work plan to complete the work over two years and included a revised budget. Work on the stabilization phase began in summer 2015.

The Ministry received regular progress reports, including information about contractual requirements and approved changes. Detailed plans were not yet developed for the second year of the stabilization phase; however, a detailed plan is expected before work begins for the 2016-17 year.

The 2011 three-phase plan identified the need for a strategy to maintain vendor support for OCSM system's infrastructure over the long-term (i.e., to keep supported after the stabilization phase is complete and considering decisions made in the modernization phase). As of August 31, 2015, given lack of key information, the Ministry had not determined the expected remaining life of the OCSM system infrastructure and how best to maintain it over its remaining life – that is, the Ministry had not developed a plan for upgrading and patching the OCSM system infrastructure over its expected remaining life. Such a plan is necessary to facilitate a schedule and budget for upgrading and patching the system over its expected remaining life.

Without a plan to upgrade and patch the OCSM system infrastructure over its expected remaining life, the Ministry and other stakeholders that use the OCSM system will continue to be at risk of the infrastructure remaining unsupported. Systems running on unsupported infrastructure are at greater risk of availability issues that could impact the ability to apply for federal-provincial cost-sharing programs or the ability of students to register for classes, apply for student loans, or apply for training programs. It also increases the risk of security breaches that could expose confidential information maintained in the OCSM system.

2. **We recommend that the Ministry of Advanced Education develop and implement a plan, over the One Client Service Model system's expected remaining life, for upgrading and patching the information technology infrastructure on which the system resides.**

The Ministry and Economy pay Central Services about $620,000 each year for hosting the OCSM system and about $190,000 each year for Oracle licensing costs. According to Central Services' IT service catalogue, the hosting service includes software and server upgrades, patches, and maintenance.[16] The Ministry and Central Services were not clear about who was responsible for determining when to upgrade and patch the OCSM system infrastructure. As a result, the OCSM system infrastructure was not regularly upgraded and patched.

At August 2015, the Ministry's service agreement with Central Services remains incomplete; it does not clearly state who is responsible for upgrading and patching the OCSM system infrastructure and paying for the associated costs. We initially reported this matter in our *2008 Report – Volume 3,* Chapter 2. At August 2015, the Ministry continues to negotiate its service agreement with Central Services.

Sound service agreements should reflect long-term strategies to maintain systems over their expected lives, including clarifying roles and responsibilities and funding processes (i.e., clearly indicate if system upgrades and patches are included in monthly fees or how these will be billed). If roles and responsibilities are unclear, the system's infrastructure may not be maintained and supported as required, which has occurred with the OCSM system.

3. **We recommend that the service level agreement between the Ministry of Advanced Education and the Ministry of Central Services clearly outline responsibility for upgrading and patching the information technology infrastructure on which the One Client Service Model system resides and the associated costs.**

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[16] *ITD Service Catalogue, Version 5.1*, p. 8.

4.2.2 Allocating Resources to Risk Management Plans

We expected the Ministry to assign responsibility and allocate financial and human resources for its IT risk management strategies.

The Ministry assigned responsibility for the risks related to the OCSM system to a member of its executive team. In 2015, the Ministry, Economy, and Central Services developed a detailed plan for completion of 2015-16 work of the OCSM system stabilization phase. This plan assigned roles and responsibilities to members of a project team and established a budget of $1.1 million. The Ministry and Economy agreed how to share the costs for the project. The Ministry, Economy, and Central Services expect to agree on a detailed 2016-17 work plan and budget in early 2016.

4.3 Risk Strategies Monitored

We expected the Ministry to analyze actions and results compared to the plan to inform changes to the risk management plan. Processes would include review of outcomes and recording of residual risk. Results and changes to the plan would be reported to senior management and key stakeholders that use the OCSM system.

The Ministry received regular progress reports from Central Services regarding the status of the OCSM system stabilization project. These included updates about project risks and explanations about any differences from budget or deadlines. The Ministry met regularly with Central Services to discuss the reports. The Ministry also discussed progress regularly at meetings of its executive.

The Ministry's policy required its executive to monitor its plan to manage risks during the year and to annually approve changes to the risk listing. The executive reviewed its listing of enterprise risks several times during 2014-15, including the risks related to the OCSM system unsupported infrastructure status. The review considered whether strategies were effective or if changes were required. The Ministry revised its strategies to address the risks to the OCSM system during the year as evidenced by its decision to internally fund the stabilization project over a two-year period when it could not find new funding sources. In summer 2015, the Ministry's executive approved a revised risk listing, including updated risk priorities.

Throughout the year, the Ministry met regularly with key stakeholders through its IT management committees. IT risks, including the risks related to the OCSM system's unsupported infrastructure, were discussed regularly at the meetings. The Ministry provided updates about the plans to address the risks.

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6.0 GLOSSARY

Application – A software program. This includes programs such as word processors, spreadsheets, accounting programs, etc.

Database – A comprehensive collection of related data organized for convenient access in a computer.

Hardware – The physical device (e.g., server) used to share data on a network.

Information Technology (IT) Infrastructure – For the purpose of this audit, IT infrastructure is application server hardware, application server operating systems, and application and database operating software.

Network – A group of computers that communicate with each other.

Operating System – A computer program that runs other programs and applications.

Patch – An update to a computer program or system designed to fix a known problem or vulnerability.

Server – A computer that hosts systems or data for use by other computers on a network.

Software – A set of machine-readable instructions that directs a computer to perform specific operations.

Unsupported Systems – Systems where venders no longer provide technical support or updates to fix known security problems or vulnerabilities.

Chapter 33
Coordinating the Use of Lean Across Ministries and Certain Other Agencies

1.0 MAIN POINTS

The Government is seeking to use Lean as a systematic way to improve service delivery and create a culture of continuous improvement. Government ministries and certain agencies have used Lean since 2010, whereas school divisions and certain post-secondary institutions started using Lean in 2013. In this chapter, we refer to use of Lean across ministries and these agencies as the Lean initiative.

Coordinating the Lean initiative across ministries and agencies is a complex task. Lack of effective coordination increases the risk that the use of Lean may not achieve intended results.

This chapter reports that, for the 12-month period ended August 31, 2015, the coordination processes over the use of Lean as a continuous improvement process across government ministries (other than the Ministry of Health) and certain agencies were effective, except for the following.

Although those responsible for the Lean initiative planned for, tracked, and monitored certain aspects of the use of Lean, they did not identify or gather sufficient information to enable them to assess the overall success of the use of Lean. That is, at August 2015, sufficient information is not available to know whether the Lean initiative is providing better service, creating a culture of continuous improvement, or demonstrating a return on investment. Setting targets for key measures related to the use of Lean, and gathering supporting information is key to enable assessment of the overall success of the use of Lean.

This information would also enable regular reporting to ministries and agencies using Lean, as well as to the public, on the costs of Lean, and on the achievement of the Government's overall goals for its use. Without effective reporting, those using Lean, and the public, will not know whether the use of Lean is achieving success.

We make six recommendations to assist in improving processes to coordinate the use of Lean.

2.0 INTRODUCTION

Lean is a continuous improvement process that involves analyzing processes to identify areas for improvement, carrying out activities intended to achieve those improvements, and monitoring the impact of changes. Many sectors (e.g., manufacturing, health care) have used Lean in seeking to improve their processes.[1]

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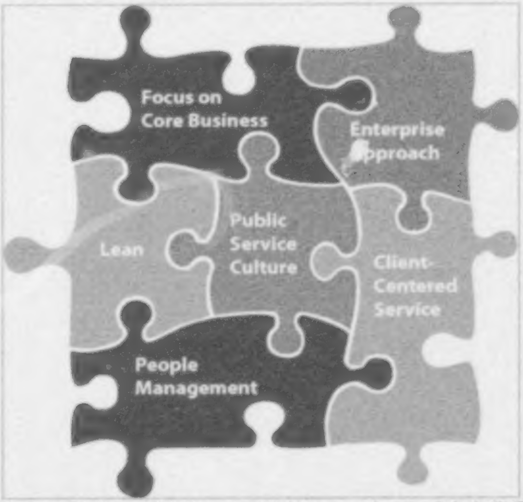
[1] www.mckinsey.com/insights/public_sector/applying_lean_production_to_the_public_sector (14 September 2015).

Lean involves the following key features:

- Planning and risk assessment
- Mapping activities to identify how to streamline processes and make improvements
- Selecting specific work processes and streamlining them to achieve improvements and reduce waste
- Redesigning workplaces to make them safer, more organized, and more efficient
- Setting targets and monitoring the impact of changes (for example, through the use of visual systems that outline changes)[2]

Since 2010, the Government has committed to working towards a larger Renewal Initiative in the public service (i.e., ministries and agencies). It has stated that the Renewal Initiative will help it address challenges and help ensure a "high-performing organization."[3] To achieve renewal, the Government has broken down the process into six components, of which Lean is one (see **Figure 1**).[4]

Figure 1—Components of Saskatchewan Public Service Renewal Initiative



Source: *ThinkLean* Website, www.thinklean.gov.sk.ca/toplinks/pdfs/Renewal-and-Lean.pdf (23 September 2015).

In our *2014 Report – Volume 2*, we reported on Health Quality Council's coordination of the use of Lean in the health sector.[5] This chapter reports on the coordination of Lean in ministries other than the Ministry of Health (ministries), and in other agencies including agencies in the education and advanced education sectors (agencies and sector agencies). See **Exhibit 5.2** for a listing of the ministries, agencies, and sector agencies.

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[2] Adapted from Lean literature, including selected references at **Section 6.0**.

[3] www.thinklean.gov.sk.ca/toplinks/lean-and-renewal/index.html (15 September 2015).

[4] Ibid.

[5] https://auditor.sk.ca/pub/publications/public_reports/2014/Volume_2/2014v2_34_Health%20Quality%20Council-LEAN.pdf (17 September 2015).

2.1 Background

As shown in **Figure 2**, the Government has expanded its use of Lean across the Government over the last ten years. The Government states that it uses Lean:

- As a systematic way to improve systems and processes, streamline its work, and improve service delivery to the public[6]

- As one way to create a culture within the Government that continuously seeks to improve service delivery[7]

Figure 2—Evolution of the Government of Saskatchewan's Use of Lean

In 2006, the Five Hills Regional Health Authority adopted the use of Lean. In 2008, the Ministry of Health conducted pilot projects in other regional health authorities (RHAs) and in 2009, adopted Lean for use in all RHAs and the Ministry of Health (Health).

Since 2010, the Government has adopted Lean for use in government ministries, Saskatchewan Liquor and Gaming Authority, Water Security Agency, and Saskatchewan Crop Insurance Corporation. In 2012-13, the Government expanded the use of Lean to selected school divisions and certain post-secondary institutions, and, in 2013-14, to all school divisions.[8]

In 2012, Cabinet appointed a Minister Responsible for the Lean Initiative through Order in Council 285/2012. Since 2013, Cabinet has appointed a Deputy Minister to lead this initiative within ministries, agencies, and sector agencies. The Government expects deputy ministers (of ministries) and senior management of agencies and sector agencies to deploy Lean within their respective ministries, agencies, and sector agencies as a central component of the Public Service Renewal Initiative.[9,10]

Since 2014, a committee of deputy ministers (the Citizen First Committee) oversees the use of Lean in ministries, agencies, and sector agencies.

Source: Provincial Auditor Saskatchewan based on Government Lean information.

Cabinet has appointed a Minister Responsible for the Lean Initiative and a Deputy Minister Responsible for the Lean Initiative. The "Corporate Projects Group" (Projects Group), reporting to the Deputy Minister Responsible for Lean, is responsible for monitoring and reporting of Lean activities and results.

The Projects Group received 2015-16 funding of $925,000 through the Ministry of Education.[11] The Projects Group allocates 2.25 of its five full-time equivalent (FTE) positions to Lean-related activities.

The Government has undertaken a widespread implementation of Lean. Nineteen ministries and agencies use Lean, along with the following sector agencies: four post-secondary institutions in the advanced education sector, and 28 school divisions in the education sector. We surveyed these ministries, agencies, and sector agencies. Their responses indicate that at July 2015, at least 13 FTE positions within the ministries, agencies, and sector agencies were responsible for Lean-related activities at a cost of about $1.4 million in 2014-15.[12]

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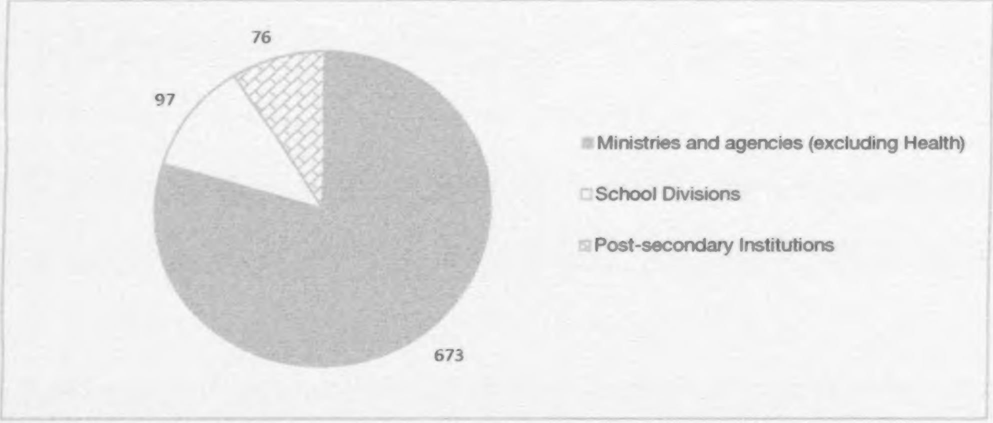
[6] http://thinklean.gov.sk.ca/toplinks/faqs/index.html (14 September 2015).
[7] Ibid.
[8] *ThinkLean. Saskatchewan's LEAN Journey*. Undated. Source: Lean Office.
[9] Ibid.
[10] http://docs.legassembly.sk.ca/legdocs/Legislative%20Committees/CCA/Debates/140428Debates-CCA.pdf (14 September 2015).
[11] http://docs.legassembly.sk.ca/legdocs/Legislative%20Committees/CCA/Debates/150331Debates-CCA.pdf (14 September 2015).
[12] See **Exhibit 5.1** for a description of the survey and response rates.

In 2014-15, about 520 individuals from these ministries, agencies, and sector agencies participated in Lean training (e.g., Lean Leader Training and Foundational Lean Training) for a total of 649 working days at a cost of $297,500.[13] Also, responses to our survey indicate that, during 2014-15, the ministries, agencies, and sector agencies listed in **Exhibit 5.2** paid about $577,000 for consulting services to facilitate Lean events.[14]

From 2010 to June 2015, the ministries, agencies, and sector agencies held a cumulative total of 846 Lean events (see **Figure 3**). Responses to our survey indicated that in 2014-15, 1,615 employees participated in Lean events for a total of 5,000 days of employee time spent on Lean events. Each of these events required the commitment of a team of employees for a specific amount of time depending on their role in the project. The costs associated with these events are not readily available.

Figure 3—Breakdown of Lean Events from 2010 to June 2015



Source: Projects Group records.

Coordinating Lean across the ministries, agencies, and sector agencies is a complex task. Poor coordination could result in a lack of clarity on intended results, uneven implementation, not realizing efficiencies, services not improving, and inefficient use of public resources. Lack of effective coordination increases the risk that the use of Lean may not result in a sustained culture of continuous improvement - one of the Government's purposes for its use.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of coordination processes over the use of Lean as a continuous improvement process across government ministries (other than the Ministry of Health) and certain agencies for the 12-month period ended August 31, 2015. **Exhibit 5.2** provides a listing of those ministries, agencies, and sector agencies. We did not include the Ministry of Health because the Projects Group is not responsible for coordinating Lean in the health sector.

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[13] Based on Projects Group records.

[14] Lean events are specific types of Lean activities. For names and descriptions of Lean events, see http://thinklean.gov.sk.ca/toplinks/faqs/index.html (29 September 2015).

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Projects Group's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Management agreed with the criteria (see **Figure 4**). **Section 6.0** includes key sources for these criteria.

We examined planning documents, risk assessments, minutes, reports, correspondence, and other relevant documentation at the Projects Group. We interviewed management at the Projects Group as well as at selected ministries, agencies, and sector agencies.

We also surveyed Lean deployment champions and Lean leaders at 52 government ministries, agencies, and sector agencies involved in the Lean initiative.[15] We aligned the survey questions with our criteria in **Figure 4**. See **Exhibit 5.1** for details regarding the survey and its response rate. In analyzing the survey responses, we considered that we had surveyed only Lean deployment champions and Lean leaders. Given their role, we expected their agreement with the statements. For statements they did not strongly agree or agree with (i.e., rating either 1, 2, or 3), we attempted in our analysis to determine the reasons for respondents not expressing agreement.

Figure 4—Audit Criteria

1. **Lead deployment of Lean**
    - 1.1 Assign roles and responsibilities
    - 1.2 Communicate clear purpose for use of Lean at the strategic level (i.e., mission)
    - 1.3 Set timelines for activities and expected results
    - 1.4 Develop risk management framework for use of Lean
    - 1.5 Set clear reporting requirements (nature, extent, timing of information)
2. **Develop a strategy for use of Lean**
    - 2.1 Identify intended results over short, mid and long term (consistent with overall purpose)
    - 2.2 Develop action plans (e.g., to coordinate Lean, support ministries and agencies, and mitigate risks)
    - 2.3 Engage key stakeholders in planning
    - 2.4 Communicate strategy to all stakeholders (e.g., ministries, agencies, staff, public and other identified stakeholders)
3. **Support the use of Lean activities in ministries and additional agencies**
    - 3.1 Provide tools and direction on use (e.g., activities, training)
    - 3.2 Supervise use to identify best practices and challenges
    - 3.3 Provide timely feedback
    - 3.4 Actively manage setbacks
4. **Monitor and report results achieved**
    - 4.1 Monitor the quality of data and information used for reporting
    - 4.2 Monitor progress in achieving intended results and overall purpose
    - 4.3 Report on progress (internally, publicly)

We concluded that, for the 12-month period ended August 31, 2015, the coordination processes over the use of Lean as a continuous improvement process across government ministries (other than the Ministry of Health) and certain other agencies were effective, except that the following are needed:

- **Measures and targets, and supporting information, to allow assessment of the overall success of the use of Lean**

- **Periodic reports to ministries and agencies using Lean, as well as to the public, on the costs of Lean and the results achieved through the use of Lean**

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[15] See **Figure 6** for descriptions of these positions.

- **Lean training that meets assessed needs**
- **Regular assessments of the quality and timeliness of feedback on Lean plans and events**

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Overall Purpose Clear

4.1.1 Roles and Responsibilities Assigned

We expected that the Projects Group would work with ministries, agencies, and sector agencies to assign and clearly communicate roles and responsibilities for the use of Lean.

The Government's approach to Lean has certain centralized elements (i.e., the Minister and Deputy Minister Responsible for the Lean Initiative, the use of the Projects Group) as well as decentralized elements (e.g., responsibility for permanent heads of ministries and agencies—deputy ministers and presidents—to lead their own use of Lean).

We examined terms of reference, plans, reports, and communications. We found that roles and responsibilities were clear (see **Figures 5** and **6**). The Citizen First Committee set terms of reference for its involvement in Lean. The Lean deployment champions and Lean leaders also had terms of reference. The Projects Group created a document that outlined each party's roles and responsibilities relating to Lean and shared this document with each party (**Figure 6**).

The Projects Group is responsible for managing and coordinating the use of Lean across ministries and agencies. For post-secondary institutions and school divisions, the Projects Group worked with the ministries of Education and Advanced Education, who carried out management and coordination in their sectors.

The Projects Group is responsible to provide advice to the Citizen First Committee, the Deputy Minister to the Premier, and the Deputy Minister and Minister Responsible for Lean (see **Figure 5**). The Citizen First Committee is responsible for monitoring and reporting to the Deputy Minister to the Premier on the results and progress of the use of Lean. The Committee is also responsible for coordination between Lean and other renewal efforts in government.[16]

Deputy ministers (of ministries) and presidents (or equivalent) of the agencies are responsible for leading Lean within their respective ministries and agencies. Senior management within the sector agencies are similarly responsible. Ministries, agencies, and sector agencies assign a Lean "leader" and Lean "deployment champion" the responsibility to support and promote the use of Lean in their respective organizations.

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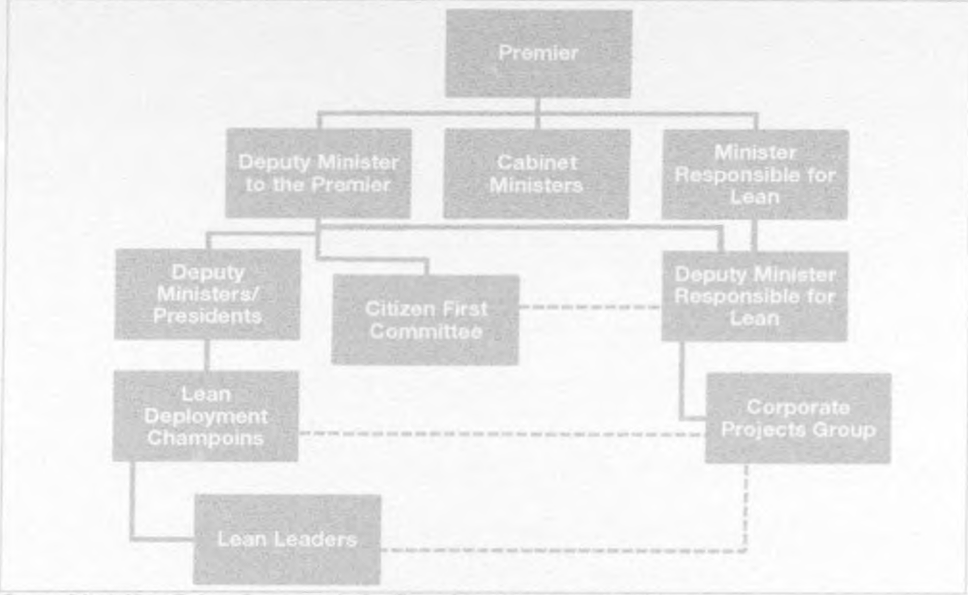
[16] See **Figure 1** for other components of renewal.

Figure 5—Lean Responsibility Chart


Premier
Deputy Minister to the Premier
Cabinet Ministers
Minister Responsible for Lean
Deputy Ministers/ Presidents
Citizen First Committee
Deputy Minister Responsible for Lean
Lean Deployment Champoins
Corporate Projects Group
Lean Leaders

Source: Adapted from Projects Group records. See **Figure 6** for roles and responsibilities.

Figure 6—Roles and Responsibilities related to Lean

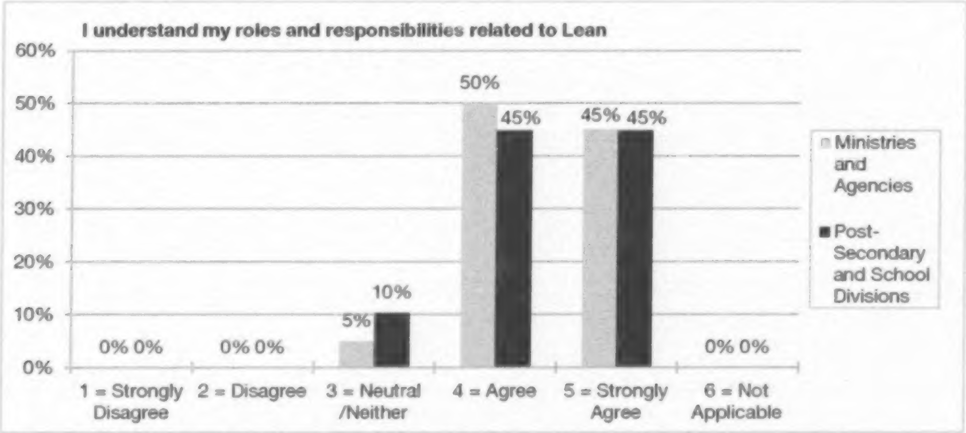
	Roles & Responsibilities
Premier	Endorses Lean as the service improvement and efficiency tool for government Supports and champions Lean in executive government and the Health, Education and Advanced Education sectors
Ministers	Responsible for driving Lean within their ministries as well as the Health, Education and Advanced Education sectors Represent government's voice on Lean within the ministry
Minister Responsible for Lean	Spokesperson and champion for the Lean initiative in the House, Cabinet and the public Represents government's voice on Lean within ministries; the Health, Education and Advanced Education sectors; and the public
Deputy Minister to the Premier	Member of the Citizen First Committee Responsible for the administration and strategic direction of Lean Provides direction to Deputy Ministers and monitors performance Supports and reports progress to the Premier
Deputy Minister Responsible for Lean	Co-chair of the Citizen First Committee Responsible for the Corporate Projects Group Supports the Lean initiative in executive government and the Health, Education and Advanced Education sectors Reports to the Deputy Minister to the Premier and the Minister Responsible for Lean
Citizen First Committee	Oversees the Lean initiative within ministries and the Health, Education and Advanced Education sectors Provides advice and guidance to the Deputy Minister to the Premier, the Deputy Minister Responsible for Lean and Deputy Ministers Co-chaired by two Deputy Ministers, one of whom is the Deputy Minister Responsible for Lean. Reports to the Deputy Minister to the Premier
Corporate Projects Group	Manages the Lean initiative. Advises the Citizen First Committee, the Deputy Minister to the Premier, and the Deputy Minister and Minister Responsible for Lean Reports to the Deputy Minister Responsible for Lean and the Citizen First Committee

	Roles & Responsibilities
Deputy Ministers/Presidents	Responsible for driving and leading Lean within their ministries, agencies, and sector agencies Report to the Deputy Minister to the Premier and their respective ministers
Lean Deployment Champions	Executive champions of Lean Report to their Deputy Minister/President
Lean Leaders	Subject matter experts who facilitate various Lean projects Report to their Lean Deployment Champion

Source: Adapted from Projects Group records.

As shown in **Figure 7**, nearly all of the Lean deployment champions and Lean leaders at ministries and agencies, and at sector agencies (post-secondary institutions and school divisions) indicated in their survey response that they understood their roles and responsibilities related to Lean.

Figure 7—Survey Responses



Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

4.1.2 Clear Purpose Communicated for the Use of Lean

We expected the Projects Group to communicate clearly the purpose for the use of Lean at the strategic level (i.e., mission) to make all ministries, agencies, sector agencies, employees, and the public aware of the reasons for using Lean throughout government.

When the Government expanded the use of Lean in June 2010, it stated the objectives for the use of Lean were to focus on improving processes and procedures, streamlining delivery, and providing better services.[17] The Government has also stated that it uses Lean to create a culture of continuous improvement.

The Projects Group reinforced these objectives in its communications. It did this in several ways. Through the public *ThinkLean* website that it maintains, the Projects Group states that Lean is an "approach that identifies and eliminates unnecessary steps, streamlines processes for employees and ultimately improves the value for clients and customers."[18] The website also describes how the Government has introduced Lean to create a culture of continuous improvement. In addition, we observed the Deputy Minister to the Premier clearly communicated to deputy ministers the importance and purpose of Lean for the ministries and the agencies for which they are responsible.

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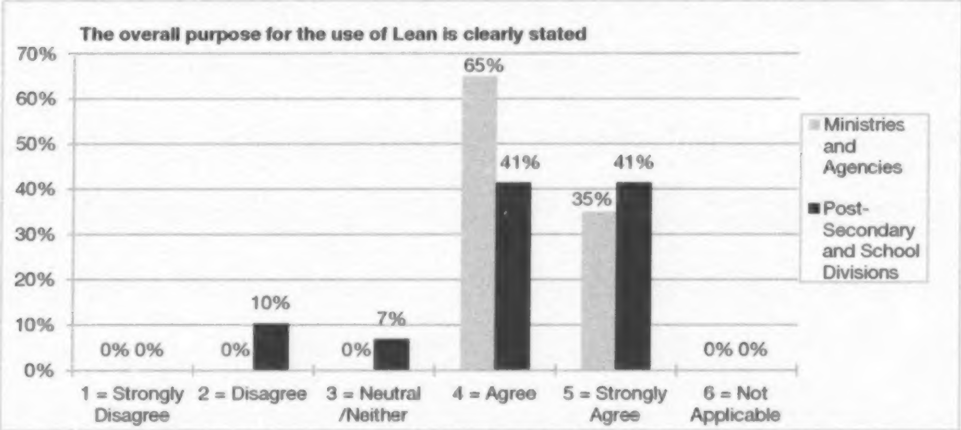
[17] www.saskatchewan.ca/government/news-and-media/2010/june/22/government-expands-lean-initiative-to-improve-services (14 September 2015).

[18] www.thinklean.gov.sk.ca/toplinks/what-is-lean/index.html (9 September 2015).

The Projects Group addressed how it would communicate the purpose of Lean in its communications plan. We observed that the communications plan identified key messages, audiences, and strategies for Lean communications. The Citizen First Committee approved this plan. The Projects Group shared the plan with Lean deployment champions and Lean leaders. The Projects Group also communicated the purpose of Lean to new staff at ministries during orientation. We found the orientation materials appropriately conveyed the purpose of Lean.

Figure 8—Survey Responses



Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

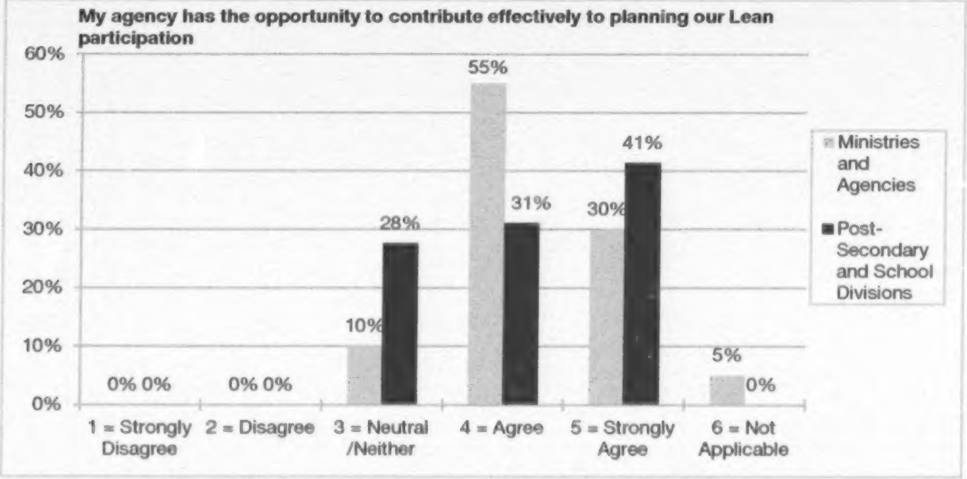
As shown in **Figure 8**, all Lean deployment champions and Lean leaders at ministries and agencies agreed, in their response to our survey, that the purpose of Lean is clearly stated. This was consistent with our interviews with Lean leaders and Lean deployment champions. Although, 17% of Lean deployment champion and Lean leader survey respondents at sector agencies (these were school divisions) did not agree that the overall purpose for the use of Lean was clearly stated, we observed specific communication from the Ministry of Education to school divisions that reinforced the overall purpose for the use of Lean. As noted in **Figure 2**, implementation of Lean within all school divisions has been more recent.

4.1.3 Key Stakeholders Involved in Planning

We expected that the Projects Group would include key stakeholders (e.g., ministries and agencies, the Citizens First Committee) in planning. Including key stakeholders in planning would help the Projects Group determine the activities it needed to perform to coordinate the use of Lean effectively.

As part of its planning, the Projects Group engaged key stakeholders. We found it did this by providing its annual work plan to the Citizens First Committee for review and approval. Also, the Projects Group included Lean deployment champions in the development of its risk assessment framework (see **Section 4.2.5**). Engaging Lean deployment champions in this process helped the Projects Group determine the activities it needed to perform to coordinate the use of Lean effectively.

Figure 9—Survey Responses



Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

As shown in **Figure 9**, and consistent with our interviews of ministry, agency, and sector agency staff, the majority of Lean deployment champions and Lean leaders at ministries and agencies felt they had the opportunity to contribute effectively to planning their Lean participation. We noted that 10% of Lean deployment champions and Lean leaders of ministries and agencies and over one quarter of sector agencies did not agree with the statement, suggesting they did not feel sufficiently engaged. As noted in **Exhibit 5.1**, given survey respondents were Lean deployment champions and Lean leaders, we expected they would be more likely to agree with the statement.

Lack of engagement increases the risk that individuals may not participate in a meaningful way in Lean, and impede the use of Lean as a continuous improvement methodology. The Projects Group, with its consultant, identified that staff engagement was a continuing issue requiring attention. As described in **Section 4.2.5**, we observed that the Projects Group's risk management framework recognized the need for an engagement strategy and planned one.

4.2 Strategy Requires Measures, Targets, and Complete Reporting Requirements

4.2.1 Measures and Targets Needed for Intended Results

We expected the Projects Group would set performance measures and related targets to enable it to determine whether the use of Lean was meeting the stated purpose of its use and related priority areas. The Projects Group would identify results that ministries, agencies, and sector agencies intended to achieve through the use of Lean. The results would be consistent with the overall purpose for Lean across Government.

In its annual work plan, the Projects Group identified the following three priorities (i.e., expected results) for the use of Lean:

- Sustain Lean implementation for 2015-16 and beyond
- Demonstrate a return on investment in Lean
- Use Lean strategically to support core business

The Projects Group included measures in its annual work plan for the results that ministries, agencies, and sector agencies are to achieve through the use of Lean. These included:

- Outcome measures such as annual and cumulative cost savings, productivity gains, and cost avoidance from the use of Lean
- Activity and output measures such as the percentage of Lean events that focused on external clients, the percentage of events that engaged external clients (e.g., citizens), status of events, and the number of continuous improvement events by year

These measures provide information on certain aspects of Lean use. For example, measures such as the number of events, and whether these produced gains (e.g., cost savings) over time, are used to inform the Projects Group whether Lean implementation was being sustained. The Projects Group assessed whether the ministries, agencies, and sector agencies were using Lean strategically to support core businesses.

The measures are consistent with the purpose and certain of the stated priorities for Lean. However, the measures do not provide a basis to measure whether the use of Lean is providing better service and creating a culture of continuous improvement (the Government's stated purpose of Lean). Also, the measures do not provide information on whether the use of Lean is delivering results in demonstrating a return on investment in Lean (one of the Projects Group's expected results for the use of Lean).

Performance measures are tools to help understand, manage, and improve what organizations do; they guide what information to gather to determine how well they are doing, if they are meeting their goals, and to identify where changes are necessary. They help organizations determine what constitutes success and what success looks like.

1. **We recommend that those responsible for the Lean initiative set measures to enable assessment of its overall success.**

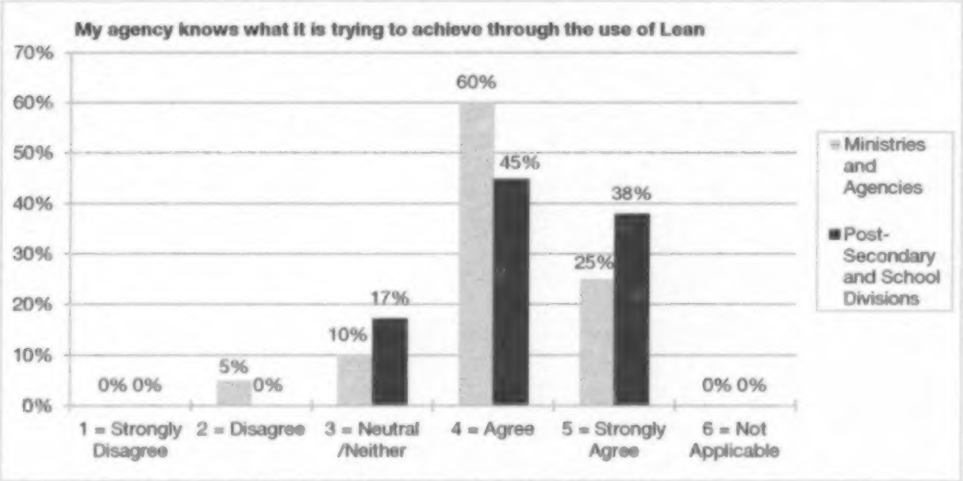
Also, other than a target for percentage of events that focused on external clients (i.e., 70%), we found the work plan did not include targets.

Performance targets are tools that help you set out what you are trying to achieve as compared to where you are now. Use of performance targets helps organizations determine the amount of improvement needed, and in turn the amount of effort and resources necessary.

2. We recommend that those responsible for the Lean initiative set targets for key measures related to the use of Lean.

In our interviews with ministries, agencies, and sector agencies, a recurring message was that focusing on reporting of cost savings, productivity gains, and cost avoidance did not capture other improvements they felt they had achieved through the use of Lean (e.g., qualitative improvements in service, such as reduction of time to process applications).

Figure 10—Survey Responses



Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

As shown in **Figure 10**, the majority of Lean deployment champions and Lean leaders at ministries, agencies, and sector agencies, in their response to our survey, indicated that their agency knows what it is trying to achieve through the use of Lean. We note that 15% of Lean deployment champions and Lean leaders of ministries and agencies and 17% of post-secondary institutions and school divisions did not agree. This is consistent with our interviews that suggested that there was room for improvement in selection of measures to gauge success.

4.2.2 Action Plans Developed

We expected that the Projects Group would develop action plans to coordinate the use of Lean and that these plans would support ministries, agencies, and sector agencies in using Lean, and mitigate risks resulting from its use.

We found the Projects Group outlined planned actions for the use of Lean in its annual work plan. The annual work plan included actions where the Projects Group provides support to ministries, agencies, and sector agencies (e.g., procure consultant support for training, facilitate events). The annual work plan also included actions to mitigate risks identified in the annual risk assessment (e.g., amend communications strategy).

Ministries and agencies first completed Lean plans for 2015-16. Separate ministry and agency Lean plans documented specific planned Lean events at each Ministry, agency and sector agency. We found that the majority of Ministry and agency Lean plans included planned actions, rationales for event selection, and timelines for completion. The plans included events that related to the ministry or agency core business, were external client focused, and showed consideration of planned participants in events (some included external clients). These considerations aligned with the Projects Group's annual work plan and with risks set out in the Projects Group's risk assessment.

However, we noted some inconsistencies in the quality of the Lean plans. For example, we found not all plans included details on events (e.g., timing, participants) or communications strategies. We observed the Projects Group worked with ministries and agencies to improve the consistency of the plans by providing feedback on specific areas for improvement in the plans.

4.2.3 Reporting Timely but Missing Some Key Aspects

We expected the Projects Group would set timelines for the completion of key activities (such as annual Lean Plans, quarterly reporting, meetings) and set out what results it sought to achieve through these activities (e.g., sustain Lean implementation).

We expected that the Projects Group would set reporting requirements for Lean activities and events for ministries, agencies, and sector agencies. These requirements would clearly set out the nature, extent, and timing of reports required.

In its annual work plan, the Projects Group set out actions to support the achievement of each priority, assigned these actions, and identified timelines for completion. For example, the annual work plan assigned the completion of Lean activities to:

- The Projects Group (e.g., prepare risk assessment, continue to develop and support relationships with other jurisdictions)
- Deputy ministers (e.g., continue to monitor progress at wall walks)[19]
- Lean deployment champions and Lean leaders at ministries, agencies, and sector agencies (e.g., update and complete implementation of continuous improvement plans)

Each ministry, agency, and sector agency chooses the business processes and Lean events on which it plans to focus in the year. They are to do this every year. We found that the Projects Group directed ministries and agencies to prepare and submit their separate Lean plans to the Projects Group. The ministries and agencies did this. The ministries of Education and Advanced Education included planned events for sector agencies (i.e., school divisions and post-secondary institutions).

We found the Projects Group used its annual work plan to set out reporting requirements for ministries, agencies, and sector agencies, as well as for itself. The Projects Group directed each ministry, agency, and sector agency to submit quarterly reports on the status of their planned events (e.g., in progress, implemented). The Projects Group developed a standardized format for this reporting.

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[19] The Projects Group displayed the annual work plan actions and results of activities on its office walls as a visual tool (these are also known as "visibility walls"). During quarterly meetings with the Lean leaders, Lean deployment champions and deputy ministers, the Projects Group used the visual displays to convey activities and progress.

We found that the quarterly report format specified inclusion of activity measures (e.g., percentage of annual Lean events that were external client focused), and outcome measures (i.e., cost savings, productivity gains, and cost avoidance). As noted earlier, certain of the information collected by the Projects Group informed it whether Lean implementation was being sustained, and whether ministries, agencies, and sector agencies were using Lean strategically to support their core business. However, we did not find that the required reporting gathered information on the costs of implementing and using Lean, to permit demonstration of return on investment in Lean.

The report format also specified limited qualitative reporting, although only from a positive perspective (i.e., reporting the "most significant improvement" from events). Starting in 2015-16, the Projects Group also required ministries, agencies, and sector agencies to develop stories that demonstrated the benefits and outcomes, from a citizen perspective, of specific Lean events. These stories provided the Projects Group with information about specific improvements in service delivery.

Information on specific improvements does not constitute information to permit evaluation whether Lean is succeeding overall, or to identify areas for concern and attention. Such information is needed to permit assessment and reporting on whether Lean is achieving its intended purpose.

3. **We recommend that those responsible for the Lean initiative gather information to assess the overall success of the use of Lean.**

4.2.4 Strategy Communicated to Stakeholders

We expected the Projects Group to communicate the strategy for use of Lean to stakeholders. These stakeholders include ministries, agencies, sector agencies, staff, public, and other identified stakeholders.

We found the Projects Group regularly updated its communication plan. The communication plan outlined communication objectives, key messages, participants, audiences, and actions. The plan described the Projects Group's planned use of its website, *ThinkLean* and included actions to update this website. Other actions in the plan included meeting with Lean deployment champions and Lean leaders, updating the Projects Group's web portal,[20] and modifying quarterly reporting. We observed the Projects Group carried out these actions described in the plan and tracked the status of the actions in the plan.

The Projects Group used its website to communicate the strategy for the use of Lean to stakeholders within ministries, agencies, and sector agencies, and to the public. We found the Projects Group specified in planning instructions to ministries and agencies that they consider how they would communicate the use of Lean at their ministries, agencies, and sector agencies, and include a brief description of this strategy in their separate Lean plans.

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[20] The Projects Group uses a common web portal (i.e., point of access to resources that individuals can access using a web browser) to share information on training, standards, reporting, and Lean activities.

4.2.5 Risk Management Framework for Use of Lean Implemented

We expected that the Projects Group would develop a rigorous approach for identifying and mitigating risks related to coordinating the use of Lean.

In 2015, the Projects Group developed a risk management framework to help address issues that could occur in the deployment of Lean, such as lack of engagement in Lean or the need for additional tools. The Projects Group engaged the Lean deployment champions from ministries and agencies to review the Projects Group's risk assessment and participate in the identification and evaluation of risks. Through its consultation, the Projects Group finalized and communicated its risk management framework to ministries and agencies.

We found that the risk management framework identified risks by category, assessed the likelihood and impact of each identified risk, and evaluated the risks. We also found that the Projects Group developed action plans for all significant risks identified (e.g., for a strategy to engage employees in Lean). The action plans identified the required activities to mitigate each risk, as well as who was to perform these activities and by when.

For example, in its risk analysis, the Projects Group identified risks related to communications on Lean. It determined the need for a revitalized Lean communication approach. As a result, the Projects Group revised its web portal to improve communication between Lean leaders, Lean deployment champions, and the Projects Group.

We found the Projects Group incorporated risk mitigation actions into its annual work plan. We further found that the Projects Group monitored and reported quarterly on the work plan to the Citizen First Committee, Lean deployment champions, and Lean leaders.

4.3 Improved Supports to Ministries, Agencies, and Sector Agencies Required

4.3.1 Need to Deliver Training to Meet Needs

We expected that the Projects Group would support the use of Lean activities across ministries, agencies, and sector agencies by providing tools and directions on Lean activities and providing training.

We found the Projects Group arranged training for ministry, agency, and sector agency staff based on their roles and needs. The Projects Group coordinated training dates and locations and gave this information to ministries, agencies, and sector agencies. Ministries, agencies, and sector agencies determined who attended training.

The Projects Group managed the work of an external consultant hired to provide certain training, including "Lean instructor training," "Lean management training," and "Lean leader training." The contract with this consultant ended in June 2015. The Projects Group also provided training directly (e.g., Lean orientation for staff and new deputy ministers, training for staff on how to complete visibility walls).

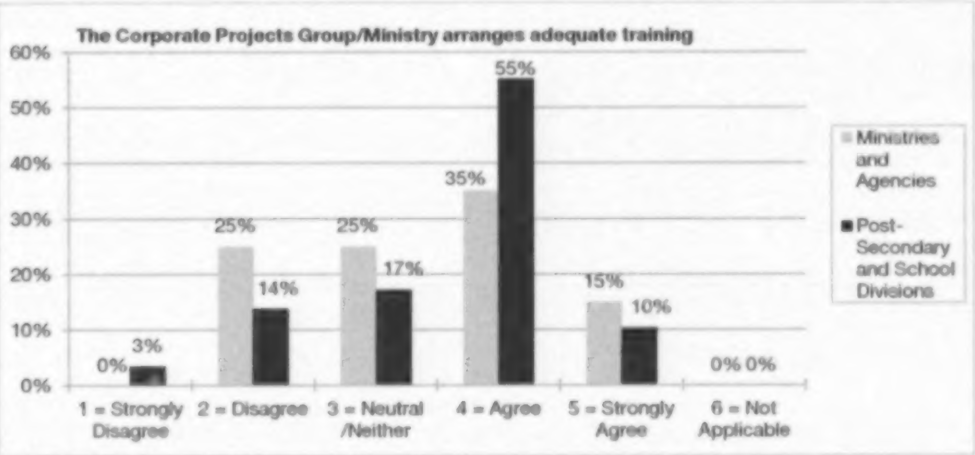
The Projects Group provided guidance on factors for ministries, agencies, and sector agencies to consider when deciding on their Lean events. For example, the Projects Group advised ministries, agencies, and sector agencies to consider if the event related to their core business, was external client focused, and whether involvement of external clients in the event was possible.

To assist ministries, agencies, and sector agencies in planning and reporting on Lean events, the Projects Group created templates with guidance for completing plans and reports. These templates supported consistent reporting. We found ministries, agencies, and sector agencies consistently used these templates when submitting plans and reports to the Projects Group.

The Projects Group hosted quarterly meetings for deployment champions and leaders to discuss the use of Lean in their agencies. The Projects Group used these meetings to discuss other Lean-related areas such as training, challenges encountered, and reporting requirements. Ministries and agencies told us that they found these meetings useful. Also, the Projects Group administered the common web portal to share information on training, standards, reporting, and Lean activities.

As shown in **Figure 11**, Lean deployment champions and Lean leaders at ministries, agencies, and sector agencies, in response to our survey, expressed mixed views on the adequacy of the training that the Projects Group arranged. In survey comments and in our interviews, certain ministries, agencies, and sector agencies indicated their desire for changes to training. For example, several expressed the need for more advanced Lean training or for additional training in specific areas (e.g., use of measurement tools).

Figure 11—Survey Responses



Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

We observed that the Projects Group periodically assessed Lean training needs in ministries and agencies. In addition, the Ministry of Education assessed training needs in school divisions. By August 2015, the Corporate Projects Group had not yet made changes to training based on the assessments. Ensuring that ministries, agencies, and sector agencies have access to the Lean training they require increases the likelihood that they will use Lean effectively.

4. We recommend that those responsible for the Lean initiative deliver Lean training to meet assessed needs.

4.3.2 Best Practices and Challenges Identified

We expected that, as part of supporting Lean activities, the Projects Group would identify best practices and challenges encountered at ministries, agencies, and sector agencies and share these with Lean deployment champions and Lean leaders.

We found the Projects Group implemented processes to track and communicate best practices and challenges that ministries, agencies, and sector agencies faced related to Lean. It did this by:

- Requiring each ministry and agency to complete an annual Lean plan (that also encompassed sector agencies)
- Engaging Lean deployment champions in the risk management process
- Arranging forums for sharing lessons learned (i.e., regular meetings with deputy ministers, champions, and leaders)
- Sharing lessons learned on the web portal
- Reviewing participant evaluations of Lean training (e.g., training provided by the external consultant)

4.3.3 Need to Assess Feedback Provided

We expected that the Projects Group would provide feedback to ministries, agencies, and sector agencies to assist them in aligning their activities with the overall purpose of Lean.

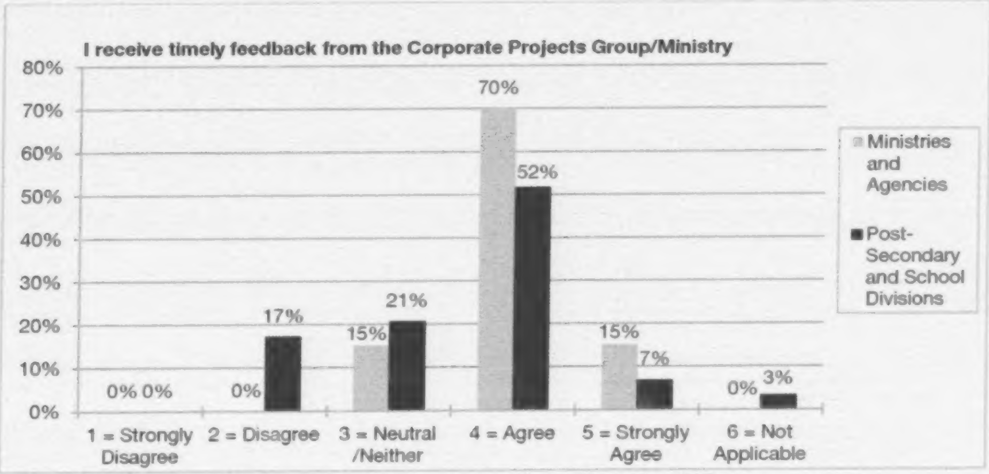
The Projects Group provided timely written and verbal feedback to leaders and champions at ministries, agencies, and sector agencies during its reviews of their annual Lean plans and quarterly reports. We observed that much of the Projects Group's feedback to agencies, primarily provided through email, related to improving standardized reporting on Lean results. For example, the Projects Group requested certain ministries and agencies to provide information that was missing from their reports or to adjust reports to ensure consistency. We found the ministries and agencies provided revised reports when requested.

The Projects Group prepared written summaries of the results of the quarterly reports and presented the summaries to deputy ministers, champions, and leaders during quarterly wall walks. This provided feedback to each ministry and agency on how it was performing as compared to other ministries and agencies.

As shown in **Figure 12**, a majority of Lean deployment champions and Lean leaders at ministries and agencies, in response to our survey, said they received timely feedback from the Projects Group. This was consistent with our interviews. A smaller majority of Lean deployment champions and Lean leaders at sector agencies, (i.e., post-secondary institutions and school divisions), said they received timely feedback from their related ministry; 38 per cent of them did not agree. This suggests that the lead ministries in the sectors (i.e., Advanced Education and Education) could improve their feedback to agencies within their sectors. Without timely, useful feedback, there is increased risk that Lean plans and events will not align with overall Lean priorities.

5. We recommend that those responsible for the Lean initiative regularly assess the timeliness and quality of feedback provided on Lean plans and events.

Figure 12—Survey Responses



Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

4.3.4 Setbacks Actively Managed

We expected that the Projects Group would take steps to actively manage setbacks as they occurred.

The Projects Group identified setbacks in implementation and use of Lean in ministries, agencies, and sector agencies (e.g., inconsistent quality in measurement and reporting, and fewer than desired external client-focused events). We found that the Projects Group actively managed these setbacks. For example, the Projects Group modified its quarterly reporting tools to capture specific measurement information. The Projects Group further provided guidance for the completion of these reports through its web portal. The Projects Group also encouraged ministries, agencies, and sector agencies to complete and report on events that were external client-focused and that included client involvement.

As noted earlier, the Projects Group established forums for Lean leaders and champions to meet and share experiences. This provided an effective opportunity for ministries and agencies to learn from others' experiences with Lean. As well, implementing a risk management framework also assisted the Projects Group to proactively mitigate risks and better manage setbacks.

4.4 Improved Monitoring and Reporting Required

4.4.1 Progress Monitored in Limited Areas

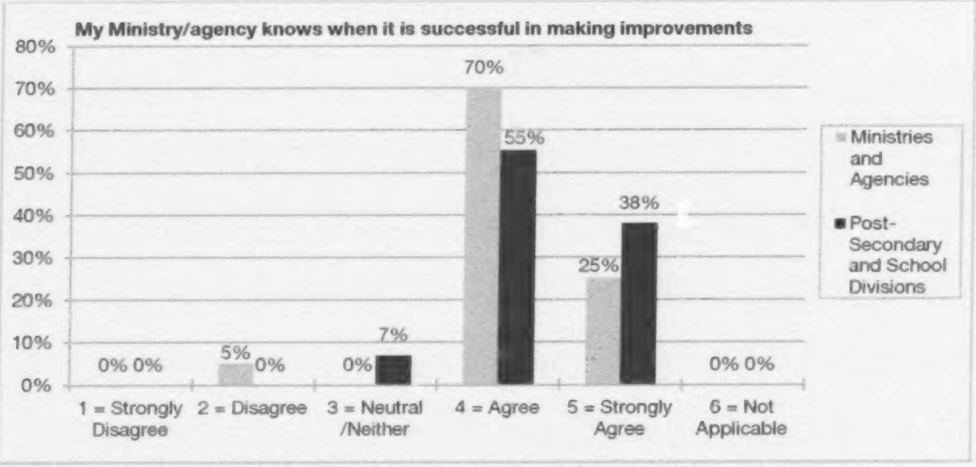
We expected that the Projects Group would routinely monitor progress in achieving intended results and the overall purpose of Lean. It would do this, for example, by actively monitoring activities and results achieved through Lean events at ministries, agencies, and sector agencies, and monitoring outcomes achieved. We expected that the Projects Group would monitor the quality of data and information used for reporting of Lean events (e.g., by providing instructions, templates, and standards).

As noted earlier, ministries, agencies, and sector agencies tracked events and certain results on an annual and cumulative basis. The Projects Group obtained this information through the quarterly reporting process. The Projects Group summarized the quarterly reporting, and used the results to report and discuss certain results (i.e., during wall walks with ministries and agencies). Also as noted earlier, the Projects Group provided guidance and templates to ministries, agencies, and sector agencies to promote data quality (**Section 4.3.1**).

We found the Projects Group tracked the planned actions set out in its annual work plan and provided this information to the Citizen First Committee. We observed the Citizen First Committee reviewed this information at its meetings. Leaders and champions also reviewed this information at committee meetings.

However, as discussed in **Section 4.2.3**, the information gathered did not position the Projects Group to determine or report whether the use of Lean was achieving its stated purpose (see **Recommendation 3**). As shown in **Figure 13**, nearly all Lean deployment champions and Lean leaders, in their response to our survey, felt they knew when they were successful in making improvements. We note that staff acknowledged the value of having a common way across government of assessing and making program improvements.

Figure 13—Survey Responses



Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

4.4.2 Improved Reporting Needed on Results Achieved

We expected the Projects Group would regularly report on progress achieved through use of Lean (e.g., in terms of creating a culture of continuous improvement and in improving the delivery of public services). We expected it would make these reports available to its stakeholders, and to the public.

We found that the Projects Group prepared summaries of quarterly reports that described annual and cumulative cost savings, cost avoidance, and productivity gains (i.e., for ministries, agencies, post-secondary institutions, and school divisions). We found the Projects Group provided these summaries to ministries and agencies (although not to sector agencies).

The Projects Group also used quarterly wall walks for reporting. It carried out this reporting for ministry and agency Lean deployment champions, leaders, the Citizen First Committee, deputy ministers, and the Minister Responsible for Lean. It also reported on the progress of planned activities on a quarterly basis to Lean leaders, champions, and the Citizen First Committee.

The Projects Group published limited information on whether the use of Lean was achieving its stated purpose in ministries, agencies, and sector agencies. While the *ThinkLean* website provides the public with information on what Lean is and "success stories," it does not provide a complete picture on results achieved through its use.

The Projects Group did not effectively report on whether the use of Lean was achieving the Government's stated purpose: improving service delivery and achieving a culture of improvement. The Projects Group did not track the cost of using Lean in ministries, agencies, and sector agencies to assist in assessing the benefits gained. Without reporting on results achieved through the use of Lean, the public will not be aware of progress and challenges in the use of Lean as a continuous improvement process, and will not be able to assess the benefits achieved for the investment made.

6. We recommend that those responsible for the Lean Initiative periodically report to ministries and agencies using Lean, as well as to the public, on the costs of Lean, and on the achievement of the Government's overall goals for its use.

5.0 EXHIBITS

5.1 Survey Response Rate and Analysis Methodology

We surveyed Lean deployment champions and Lean leaders at 52 government ministries, agencies, and sector agencies involved in the Lean initiative. For a series of statements aligned with the audit criteria set out in **Figure 4**, we asked them to assess their level of agreement using the following rating scale:

1. Strongly disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly agree
6. Not applicable

The following table summarizes the survey response rate.

	Number of Surveys Distributed	Number of Surveys Completed	Response Rate	Percentage – Respondent Equivalency
Ministries and Agencies	20	20	100%	5 % represents one respondent
Post-Secondary Institutions and School Divisions (sector agencies)	32	29	91%	3.5 % represents one respondent
Total	52	49	94%	

Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (September 2015).

In analyzing the survey responses, we were alert that we had surveyed only Lean deployment champions and Lean leaders. Given their role and involvement in Lean, we expected they would agree with statements they found applicable. For statements they did not strongly agree or agree with (i.e., rating either 1, 2, or 3), we attempted, in our analysis, to determine the reasons for respondents not expressing agreement.

5.2 Ministries, Agencies, and Sector Agencies Using Lean Included in the Scope of our Audit

Ministries	
Advanced Education	Government Relations
Agriculture	Highways and Infrastructure
Central Services	Justice[21]
Economy	Labour Relations and Workplace Safety
Education	Parks, Culture and Sport
Environment	Public Service Commission
Executive Council	Social Services
Finance	
Agencies	
Saskatchewan Liquor and Gaming Authority	SaskBuilds
Saskatchewan Crop Insurance Corporation	Water Security Agency
Post-Secondary Institutions (sector agencies)	
Cumberland College	North West College
Northlands College	Saskatchewan Polytechnic
School Divisions (sector agencies)	
Chinook School Division No. 211	North East School Division No. 200
Christ the Teacher Roman Catholic Separate School Division No. 212	Northern Lights School Division No. 113
Conseil des écoles fransaskoises No. 310	Northwest School Division No. 203
Creighton School Division No. 111	Prairie South School Division No. 210
Englefeld Protestant Separate School Division No. 132	Prairie Spirit School Division No. 206
Good Spirit School Division No. 204	Prairie Valley School Division No. 208
Holy Family Roman Catholic Separate School Division No. 140	Prince Albert Roman Catholic Separate School Division No. 6
Holy Trinity Roman Catholic Separate School Division No. 22	Regina Roman Catholic Separate School Division No. 81
Horizon School Division No. 205	Regina School Division No. 4
Ile-a-la Crosse School Division No. 112	Saskatchewan Rivers School Division No. 119
Light of Christ Roman Catholic Separate School Division No. 16	Saskatoon School Division No. 13
Living Sky School Division No. 202	South East Cornerstone School Division No. 209
Lloydminster Roman Catholic Separate School Division No. 89	St. Paul's Roman Catholic Separate School Division No. 20
Lloydminster Public School Division No. 99	Sun West School Division No. 207

Source: Projects Group records.

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[21] The Ministry of Justice prepares a separate Lean plan for Corrections and Policing, and has assigned Lean deployment champions and Lean leaders specifically for this area. Therefore, we surveyed Corrections and Policing's Lean deployment champions and Lean leaders in addition to those for the Ministry of Justice.

6.0 SELECTED REFERENCES

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Chapter 34
Health Shared Services Saskatchewan—Shared Procurement

1.0 MAIN POINTS

Health Shared Services Saskatchewan (3sHealth)[1] is responsible for facilitating the purchase of goods and services on behalf of its member agencies[2] (shared procurement). In 2014-15, member agencies purchased goods and services totalling $221 million through 3sHealth.

Procuring goods and services for others at best value can present significant risks if not done in a fair and transparent manner. Additionally, poor quality of procured goods and services could result in harm to users of healthcare services.

3sHealth procures goods and services for its member agencies to obtain volume-based price discounts and standardized products and services. 3sHealth negotiates about half of the dollar value of goods and services contracts itself, and a national group purchasing organization (GPO) negotiates the other half on 3sHealth's behalf.

This chapter reports the result of our audit of 3sHealth processes to procure goods and services for its member agencies. We concluded that 3sHealth had effective processes except for the following areas:

- Receipt of approval for procurement policies from the Board
- Documentation of the basis for its choice of procurement methods
- Validation of the reasonableness of a key assumption (i.e., inflationary price growth rates) used to estimate cost savings
- Regular reporting on significant incidents of non-compliance with procurement policies and plans to address them
- Confirmation that individuals involved in procurement activities have assessed and declared they have no conflict of interest when negotiating with potential suppliers
- Monitoring the performance of its suppliers

We make 13 recommendations to help 3sHealth improve its shared procurement processes.

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[1] Health Shared Services Saskatchewan was created through an amendment of the Saskatchewan Association of Health Organizations (SAHO) bylaws effective April 12, 2012, as a result of recommendations made in the 2009 Saskatchewan Patient First Review.

[2] Member agencies include Saskatchewan's 12 regional health authorities, their affiliates, and the Saskatchewan Cancer Agency.

2.0 INTRODUCTION

3sHealth procures and facilitates the procurement of goods and services for member agencies such as:

- Nutrition and food services
- Dietary and linen supplies
- Medical, surgical, and laboratory supplies
- Pharmaceuticals and hearing aids
- Biomedical waste disposal services
- Administrative services and supplies

For the 12-month period ended August 2015, 3sHealth facilitated purchases on behalf of member agencies totalling approximately $221 million.[3]

One of 3sHealth's goals is to reduce the cost of goods and services to Saskatchewan's health system. Purchasing through 3sHealth aims to provide member agencies with the benefits of shared purchasing together with standardized products and services. 3sHealth works on behalf of member agencies to obtain the best rates, terms, and conditions when buying goods and services in two main ways:

- Its materials management staff facilitate procurement processes. In this chapter, we refer to this as "internally-led procurement". 3sHealth can be involved in assisting in the various phases of buying goods or services. This includes negotiating provincial and multi-provincial group purchasing contracts.

- Member agencies can also make purchases through the national group purchasing organization (GPO) that is under contract with 3sHealth. In this chapter, we refer to this as "GPO-led procurement". In 2010, after using a competitive selection process, 3sHealth entered into an agreement with the GPO. 3sHealth uses its contract with the GPO to increase purchasing power through shared national procurements with other provincial authorities, hospitals, and shared service organizations.[4] Through the GPO, 3sHealth and member agencies can access volume discounts gained through partnering with other jurisdictions seeking similar products.

About one-half of the $221 million in purchases 3sHealth facilitated for the 12-month period ended August 2015 were internally-led procurements, and the other half were GPO-led procurements. 3sHealth has reported saving the health system more than $110 million[5] from 2010 to 2015 through group purchasing.

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[3] Based on data provided by 3sHealth management.

[4] http://portal.healthprocanada.com/web/healthpro-public/about (28 September 2015).

[5] www.saskatchewan.ca/~/media/news%20release%20backgrounders/2015/june/highlights%20patients%20first%20review%20update.pdf (15 June 2015).

3.0 AUDIT CONCLUSIONS AND SCOPE

The objective of this audit was to assess the effectiveness of 3sHealth's processes to procure goods and services for its member agencies for the 12-month period ending July 31, 2015.

The audit focused on those goods and services where 3sHealth facilitated purchases on behalf of its member agencies (shared procurement). The audit did not include goods and services 3sHealth bought for its own use, or those that member agencies purchased directly without the involvement of 3sHealth.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate 3sHealth's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. 3sHealth's management agreed with the criteria (see **Figure 1**).

We examined 3sHealth's procurement policies and procedures. This included the procurement and competitive bidding policy, provincial contract decision-making and voting policy, contract administration and management policy, its arrangement with the GPO, and other relevant documents. We interviewed staff responsible for the procurement of goods and services, including senior management. To test the operation of key aspects of the procurement process, we examined procurement files and contracts.

Figure 1—Audit Criteria

1. **Set policies for procurement of goods and services**
    - 1.1 Determine which goods and services will be subject to shared procurement
    - 1.2 Develop and approve policies for procurement of goods and services
    - 1.3 Align policies with externally-imposed requirements (e.g., New West Partnership Trade Agreement;[6] Agreement on Internal Trade)[7]
    - 1.4 Update policies periodically
    - 1.5 Communicate policies for procurement (i.e., internally and externally to member agencies)
    - 1.6 Monitor and report on compliance with policies
2. **Define the needs and specifications for required goods and services**
    - 2.1 Define the need in sufficient detail for suppliers' and member agencies' understanding
    - 2.2 Define specifications to encourage open and effective competition
    - 2.3 Specify other requirements (e.g., warranty, delivery, packaging, performance guarantees)
3. **Obtain quotations fairly**
    - 3.1 Determine most appropriate procurement method
    - 3.2 Identify feasible sources of supply
    - 3.3 Obtain appropriate authorization to initiate purchase agreement (e.g., tenders)
    - 3.4 Give equal and fair treatment to potential suppliers
4. **Select suppliers for required goods and services**
    - 4.1 Evaluate potential suppliers for best value
    - 4.2 Document decision for supplier selection
    - 4.3 Obtain appropriate approval to enter into agreement for member agencies to buy goods and services
    - 4.4 Inform bidders of tender decision
    - 4.5 Obtain written contractual agreements

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[6] The New West Partnership Trade Agreement (NWPTA) is an accord between the governments of British Columbia, Alberta, and Saskatchewan that creates a large, barrier-free, interprovincial market. www.newwestpartnershiptrade.ca/the_agreement.asp (21 September 2015).

[7] The Agreement on Internal Trade (AIT) is an intergovernmental trade agreement signed by Canadian First Ministers that came into force in 1995. Its purpose is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investment within Canada to establish an open, efficient, and stable domestic market. www.ait-aci.ca/index_en.htm (21 September 2015).

5. **Monitor performance related to procurement**
    5.1 Assess performance of selected national group purchasing organization (GPO)
    5.2 Assess performance of suppliers periodically
    5.3 Use performance information for future decision making
    5.4 Assess if expected savings are realized

We concluded that for the 12-month period ended July 31, 2015, Health Shared Services Saskatchewan (3sHealth) had, other than for the following areas, effective processes to procure goods and services for its member agencies.

3sHealth needs to obtain its Board's approval for procurement policies, document its procurement method selection decisions, and validate the reasonableness of inflationary price growth rates used to estimate cost savings.

For internally-led shared procurements, 3sHealth needs to obtain conflict-of-interest declarations for member agency staff involved in evaluating shared procurements, and actively monitor the performance of its shared procurement suppliers.

For shared procurements made through the national group purchasing organization, 3sHealth needs to periodically report whether the national group purchasing organization's controls align with 3sHealth's procurement policies.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, "shared procurement" means procurement activities either led directly by 3sHealth materials management staff or the GPO.

4.1 Policies for Procurement of Goods and Services Established but Need Approval and Monitoring for Compliance

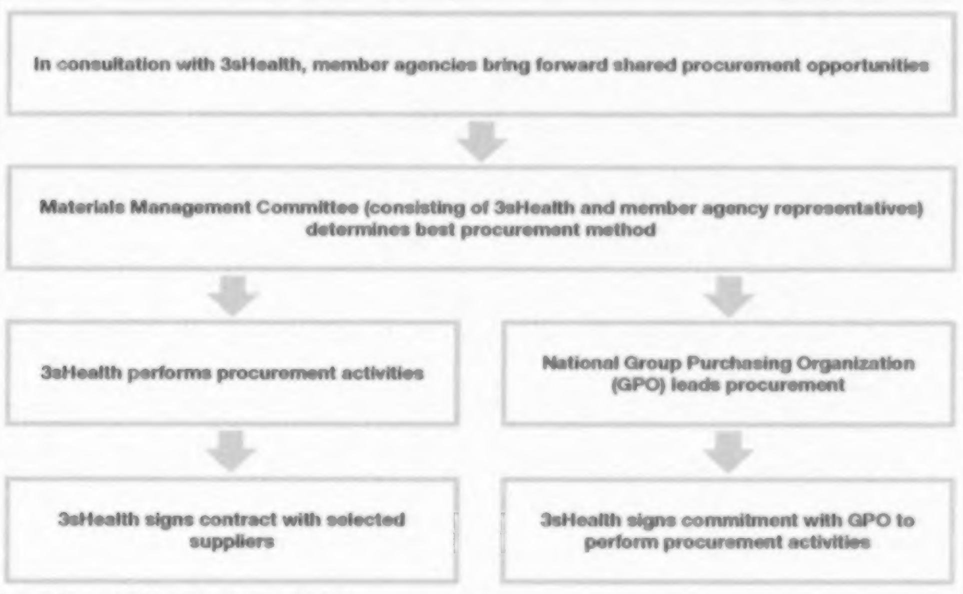
4.1.1 Process in Place to Determine Goods and Services Subject to Shared Procurement

We expected 3sHealth to establish a process to determine which goods and services are subject to shared procurement (i.e., procured through use of 3sHealth services rather than individual member agencies).

3sHealth and its member agencies have established a Materials Management Committee (Committee). The Committee consists of 14 representatives appointed from 3sHealth and member agencies (one representative from each). The Committee is responsible for, among other things, determining which goods and services needed by member agencies are best suited to a shared procurement approach. Based on our review of Committee meeting minutes, we found the Committee actively worked with member agencies to determine goods and services best suited to shared procurement.

As shown in **Figure 2**, the Committee decides which procurement to make using 3sHealth staff (i.e., internally-led procurement) and which to make through the GPO (i.e., GPO-led procurement).

Figure 2—Shared Procurement Decision Tree


In consultation with 3sHealth, member agencies bring forward shared procurement opportunities
Materials Management Committee (consisting of 3sHealth and member agency representatives) determines best procurement method
3sHealth performs procurement activities
National Group Purchasing Organization (GPO) leads procurement
3sHealth signs contract with selected suppliers
3sHealth signs commitment with GPO to perform procurement activities

Source: Developed by Provincial Auditor's Office.

4.1.2 Procurement Policies Require Board Approval

Effective procurement policies are designed to ensure open competition takes place, suppliers are treated in a fair and equal manner, and best value is achieved for member agencies. We expected 3sHealth to:

- *Develop effective procurement policies for staff*
- *Review and update procurement policies on a regular basis*
- *Align policies with externally-imposed requirements (i.e., New West Trade Partnership Agreement [NWPTA], Agreement on Internal Trade [AIT])*[8]
- *Obtain the approval of its Board of key procurement policies*

3sHealth established procurement policies specific to its procurement services that it provides to member agencies, (e.g., internally-led procurement). Its Procurement and Competitive Bidding Policy included clear guidance to materials management staff on its process. The policy included expectations for identifying and responding to conflicts of interest, outlined key roles and responsibilities, and set out acceptable criteria to use when evaluating tender proposals. The key components of the policy aligned with the requirements of the NWTPA and AIT.

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[8] The requirements of the NWPTA differ slightly from those with the AIT. For example, NWPTA requires purchases exceeding $75,000 to be publicly tendered through an electronic tendering system (e.g., the government's tendering system – SaskTenders), and the AIT has a similar requirement for purchases exceeding $100,000.

3sHealth requires regular review of this policy on an annual or other pre-determined basis. The policy was most recently updated in January 2013 and management indicated it was under review at August 2015.

We found senior management had approved 3sHealth's procurement policies instead of its Board of Directors. In addition, we found the Board has not given senior management authority to approve the procurement policies. As procurement policies are crucial to 3sHealth achieving its mandate, the Board should approve these policies.

Board approval of these policies is essential for the organization to achieve its mandate, and helps ensure the Board agrees that the policies align with the mandate and appropriately mitigate related risks. 3sHealth's procurement activities on behalf of member agencies are a key part of its mandate. Lack of Board approval of key procurement policies increases the risk that inappropriate financial decisions may be made. It also increases the risk that 3sHealth's Board may not be able to hold management accountable for decisions made.

1. **We recommend the Board of Health Shared Services Saskatchewan approve procurement-related policies.**

4.1.3 Policies for Procurement not Effectively Communicated to GPO

Communicating procurement policies to member agencies and 3sHealth staff ensures established processes are followed. Failure to communicate policies may result in inappropriate procurement practices or non-compliance with trade agreements, which can give rise to litigation in some cases. We expected management to communicate procurement policies externally to member agencies, and internally to 3sHealth staff. We also expected management to notify member agencies and 3sHealth staff of any updates to policy.

3sHealth maintains a procurement policy and procedures manual that supports its process. It gives member agencies and 3sHealth materials management staff a copy of this manual, and access to a non-public website (SharePoint).[9] This website contains its up-to-date procurement policies, procedures, and standardized documents for use in procurement activities. The website automatically notifies its users via email of information posted to, or changes to information posted on the website (such as updates or changes to 3sHealth procurement policies). The email advises the nature of the change, and provides information about the location of updated policy on the website.

3sHealth's agreement with the GPO requires the GPO to comply with 3sHealth's procurement policies and procedures. However, 3sHealth has not provided its relevant procurement policies and procedures to the GPO. Without 3sHealth providing this information, the GPO would not know 3sHealth's expectations for procurement practices. This impacts 3sHealth's ability to hold the GPO accountable for its performance.

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[9] Organizations use SharePoint to create websites. It can provide a secure place to store, organize, share, and access information from almost any device. https://support.office.com/en-us/article/What-is-SharePoint-97b915e6-651b-43b2-827d-fb25777f446f (25 September 2015).

2. We recommend Health Shared Services Saskatchewan provide its relevant procurement policies and procedures to the selected national group purchasing organization.

4.1.4 Identifying, Tracking, and Reporting on Non-Compliance with Procurement Policy Needed

We expected 3sHealth to document its processes for detecting, addressing, and reporting significant non-compliance with its procurement policy. These processes would keep senior management and the Board informed of significant non-compliance.

While 3sHealth has processes to identify and address non-compliance with procurement policies for internally-led procurements, it does not track or summarize instances of identified non-compliance or their resolution.

For each internally-led procurement, 3sHealth materials management staff prepares a procurement file containing documentation that its policies require. 3sHealth's management reviews these files in detail to determine whether the team followed established policies and procedures. Management completes these reviews prior to entering into an agreement with a supplier. While management determines compliance with policies and resolves issues, if any, it does not formally track nor give senior management or the Board information about the nature or extent of non-compliance with purchasing policies.

3sHealth has mechanisms to identify and address non-compliance with its procurement policies for GPO-led procurements such as:

- Representation on the GPO's Board
- Participation on various GPO committees
- Involvement in GPO-led procurements such as participating in the development of evaluation criteria, specifications, scoring of proposals, and awarding contract decisions
- Regular contact with the GPO's member support teams

However, we found that policy compliance information captured through these mechanisms was not regularly reported to 3sHealth senior management or the Board. Management indicated reports were not provided as no significant issues were identified.

Non-compliance with procurement policies may expose 3sHealth to significant financial, legal, and reputational risks. Identifying and tracking non-compliance would enable management to determine common or recurring issues, and identify training requirements and revisions needed to policies and processes. Also, periodic reporting of significant non-compliance to senior management and the Board would inform them as to the effectiveness of its procurement policies.

3. **We recommend Health Shared Services Saskatchewan implement procedures to identify, track, and monitor instances of non-compliance with procurement policies.**

4. **We recommend Health Shared Services Saskatchewan give its Board periodic reports on significant incidents of non-compliance with procurement policies and steps taken to address them.**

4.2 Needs and Specifications Defined for Required Goods and Services

Clearly outlining the need, specifications, and other relevant requirements for goods and services ensures that all interested suppliers have the necessary information to complete bids. In addition, including other relevant requirements such as warranty, delivery, packaging, and performance requirements minimizes the risk of disputes in the event a supplier does not meet requirements in such areas. We expected 3sHealth to define, in writing, the need, specifications, and other relevant requirements (e.g., warranty, delivery, packaging, performance guarantees) for goods and services.

As previously noted, the Materials Management Committee identifies shared procurement opportunities. Member agency representatives bring forward their agencies' goods and service needs for the Committee's consideration. The Committee determines whether the identified need is suitable for shared procurement. Using information from and decisions of the Committee, 3sHealth maintains a work-in-progress and potential contracts listing. The listing sets out potential goods and services that member agencies typically require that may be appropriate for shared procurement.

For purchases the Committee decides as suitable for shared procurement, the Committee then decides whether to ask 3sHealth to lead the procurement (internally-led procurement) or make the purchase through the GPO (GPO-led procurement).

For both types of procurements, 3sHealth collaborates with its member agencies to determine product/service specifications. In determining specifications, 3sHealth uses sub-committees. These sub-committees consist of members from member agencies and its materials management staff as well as, in some situations, subject matter experts who specialize in the area of the item being procured. We found that 3sHealth provided the information suppliers needed to prepare competitive bids.

4.3 Improvement Needed to Ensure Quotations are Obtained Fairly

4.3.1 Documentation to Support Selection of Procurement Method not Maintained

We expected procurement methods to be chosen in accordance with established policy and justification for selection of the procurement method documented. We expected 3sHealth to identify feasible sources of supply to meet the needs of member agencies in a way that is fair and transparent.

We found the Committee was not expected to nor did it document its rationale for deciding to use a GPO-led procurement. 3sHealth advised us that the Committee views GPO-led procurements as providing goods or services at lower costs than available through internally-led procurements. Therefore, it uses GPO-led procurement as the default procurement method.

Because it did not document the rationale for its decisions, we were unable to determine if the Committee had considered risks of the GPO-led procurements. In addition, we found that 3sHealth had not developed guidance to help the Committee evaluate and decide when best to use a GPO for procurement.

When a good or service need is identified as appropriate to assign to the GPO, 3sHealth works with the GPO to determine whether it is available in its supply chain and if so, signs a commitment to purchase. The GPO then shortlists potential suppliers for selected goods and services. This listing of potential suppliers is often based on the purchasing needs of multiple jurisdictions or agencies. While GPO-led procurements can offer lower pricing for many goods and services, it can present certain drawbacks. For example, when many jurisdictions are involved in national procurements, the optional suppliers that GPO provides may only meet the needs of some, but not all, jurisdictions. The Committee must be alert to this risk in deciding whether to use a GPO-led procurement or to retain the procurement process.

For internally-led procurements, 3sHealth identifies feasible procurement methods (such as call for tenders, request for proposals, request for qualifications, request for strategic partners, and pre-approved vendor lists) as part of its Procurement and Competitive Bidding Policy (Policy). The Policy gives staff guidance regarding the most appropriate method to use. For example, 3sHealth expects staff to use request for proposals or requests for strategic partnerships when the dollar value for products, materials, or services is greater than $75,000. The Policy includes a template for staff to document the rationale for selecting a sole-source[10] procurement method over a competitive tender procurement method and have it approved.

For internally-led procurements, 3sHealth selects the procurement method (e.g., public tender, quotes) based on its policies, and communicates product/service specifications to potential suppliers (e.g., obtaining quotes, public tender).

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[10] Sole-source – designating a company contracted, without competition, to be the sole supplier of a product or service http://dictionary.reference.com/browse/sole-source - retrieved (25 September 2015).

The internally-led procurement files we tested included sufficient purchase specifications and other requirements, such as warranties, delivery, packaging, and performance requirements. In addition, files showed specifications and other expectations were provided to potential suppliers. Where it used a competitive procurement method, we found 3sHealth advertised to the public through an electronic tendering system equally accessible to all Canadian suppliers.

3sHealth entered into one internally-led sole-source procurement during the audit period. For sole-source procurements, Policy requires staff to complete a exceptions justification document (exceptions document) prior to entering into a sole source procurement. We found that staff did not complete the exceptions document required by the Policy.

Management indicated that while the exception document was not completed, the rationale for choosing to sole-source was recorded in other steps of the procurement process such as internal sub-committee meetings and through an advance contract award notice. These other steps provided some justification for the sole-source decision; however, Policy requires the exception document to be completed and approved prior to these additional steps. As such, 3sHealth did not follow Policy for documenting rationale for sole-source procurements. Documenting rationale that provides the basis of procurement method decisions helps ensure the best procurement method is chosen, and the decision can withstand the scrutiny of all member agencies. This can also help ensure externally-imposed procurement requirements (i.e. NWPTA, AIT) are met, best value is received, and potential suppliers are given equal and fair treatment.

5. **We recommend Health Shared Services Saskatchewan document rationale for the shared procurement method selected (i.e., internally-led, sole-sourced, or national group purchasing organization-led procurement).**

4.3.2 Stronger Conflict of Interest Requirements from Member Agencies Needed to Protect Fair and Equal Treatment of Suppliers

For internally-led procurement, we expected 3sHealth to develop policies to address fair and equal treatment of suppliers. In addition, we expected 3sHealth to communicate the procurement process to potential suppliers, and allow adequate time for all potential vendors to submit bids (e.g., minimum guidelines exist). We also expected 3sHealth to gather information to gain assurance GPO tenders were appropriately carried out.

We expected conflict-of-interest declarations to be signed by 3sHealth staff, committee members involved in evaluations, and member agency staff involved in procurement. We also expected 3sHealth to monitor conflict of interest provisions of the GPO.

3sHealth developed a Procurement and Competitive Bidding Policy for staff providing guidance on maintaining fair and equal treatment of suppliers. For example, the policy outlines non-discrimination rules applicable under NWPTA and AIT.

For internally-led procurements we tested, 3sHealth provided, in the tender notices, all relevant information including a description of the procurement process. Potential suppliers also had enough time to respond to tender notices (e.g., greater than 15 days). Allowing adequate time to submit bids provides suppliers with an opportunity to develop comprehensive proposals that 3sHealth needs to perform meaningful evaluation and to determine the best supplier.

As described in **Section 4.1.4**, we found 3sHealth has mechanisms to monitor fair and equal treatment of suppliers. However, we found that limited information was regularly reported through these mechanisms. This impacts 3sHealth management's ability to monitor if GPO tenders were appropriately carried out.

3sHealth's Policy requires all employees of regional health authorities, Saskatchewan Cancer Agency, 3sHealth, and physicians involved in an internally-led procurement evaluation process to sign a conflict-of-interest and non-disclosure declaration. 3sHealth staff are required to complete annual declarations.

However, we found member agency staff who had procurement responsibilities within their respective organization were exempted by 3sHealth management from having to sign a declaration with 3sHealth. Management indicated that staff of respective member agencies may sign conflict-of-interest declarations as part of their own policies. As a result, 3sHealth does not know whether member agency staff with procurement responsibilities may have a conflict of interest.

For GPO-led procurements, 3sHealth only relies upon the GPO meeting conflict-of-interest provisions outlined in the GPO's business conduct manual.

Failure to identify and resolve conflicts of interest may result in unfair treatment of suppliers and inappropriate supplier selection decisions. This increases the risk of loss of public's confidence in 3sHealth's procurement process.

6. **We recommend Health Shared Services Saskatchewan develop a process to confirm that member agencies' and the national group purchasing agency's staff involved in shared procurement activities regularly sign conflict-of-interest declarations.**

4.3.3 Appropriate Authorization Obtained to Initiate Purchase Agreements

We expected 3sHealth to communicate with member agencies prior to initiating the procurement process to ensure that any issues that may arise are identified and resolved prior to initiating a purchase agreement. We expected 3sHealth to document approvals in accordance with its delegated authorities.

We found 3sHealth maintains a delegated authority list. This list sets out authorization for procurement-related activities such as approving contracts for internally-led procurements or commitments for GPO-led procurements based on position (e.g., Director of Purchasing). This list establishes who can approve various types of transactions including procurement-related activities.

For procurement files we tested, purchase agreements and commitments had proper authorization in accordance with 3sHealth's delegated authority list, and communication with member agencies took place before initiating the procurement process.

4.4 Processes to Document Supplier Decisions Need Improvement

4.4.1 Potential Suppliers Evaluated for Best Value but Decisions Not Documented

Applying evaluation criteria communicated in tender documents makes all suppliers aware of how their proposal will be evaluated. It also promotes best value to member agencies through choosing suppliers based on merit. Documenting such decisions strengthens transparency and allows decisions to be justified in the event they are questioned.

We expected 3sHealth to evaluate all proposals for goods and services in accordance with its policy and established criteria. 3sHealth would document supplier selection decisions. 3sHealth would periodically receive information on the effectiveness of controls used by its selected GPO to ensure the GPO's procurement processes were fair and transparent and consistent with 3sHealth's objectives.

For internally-led procurements, we found 3sHealth's Policy included standard evaluation criteria such as price, quality, services, and capacity of suppliers to meet requirements. It allows 3sHealth to evaluate tenders based on any or all of the established criteria specified in the Policy for such factors specified in the tender notice or tender documentation.

For the internally-led procurement files we tested, 3sHealth included evaluation criteria in tender information provided to potential suppliers; 3sHealth staff, representatives of member agencies, and subject matter experts where necessary, used the criteria to evaluate proposals received. However, one of nine internally-led procurement files that we tested did not include a documented evaluation of the criteria outlined in the tender information provided to potential suppliers.

Documenting evaluations of bids increases the transparency of the process and allows for ready review of the supplier selection decision in case of complaints.

7. **We recommend Health Shared Services Saskatchewan document evaluations of all proposals received in response to shared procurement tenders.**

For GPO-led procurements, 3sHealth has representation on various committees. These committees develop contracting strategy, participate in product pre-qualification, and contract award processes. While the GPO may document its evaluation of suppliers, 3sHealth does not regularly receive information from its committees on whether individual procurements were done in a fair and transparent manner (see **Section 4.5.1**).

4.4.2 Approval Needed from Member Agencies Prior to Extending Commitments with GPO

Obtaining approval from member agencies prior to signing agreements for purchasing goods and services helps ensure issues brought forward by member agencies are addressed before agreements are finalized.

For internally-led procurements, we expected 3sHealth to have processes for obtaining appropriate approval from member agencies prior to communicating with suppliers. For GPO-led procurements, we expected 3sHealth to obtain appropriate approval from member agencies prior to entering into a commitment to purchase specified goods or services from GPO-selected suppliers.

For internally-led procurements, 3sHealth uses subcommittees to recommend the final supplier selection decisions. Sub-committee members usually make unanimous decisions but, where consensus cannot be reached, the sub-committee's final decision is by a majority vote. 3sHealth's Provincial Contract Decision Making and Voting Policy includes details of process for such voting. The sub-committee's recommendation is provided to 3sHealth management for review and approval.

For internally-led procurements we tested, 3sHealth received appropriate approval from member agencies for supplier selections prior to communicating with the suppliers. 3sHealth received such approval through collaboration with sub-committees performing the evaluation via email, conference calls, and meetings.

For GPO-led procurements we tested, 3sHealth received appropriate approval from member agencies prior to entering into new commitments to purchase goods and services from the GPO-selected suppliers. It obtained approval from member agencies through representatives sitting on the Materials Management Committee.

From time to time, 3sHealth extends commitments with the GPO to continue purchasing certain types of goods and/or services from GPO-selected suppliers. However, we found that 3sHealth did not seek or receive approval from the Committee or member agencies prior to it extending these commitments with the GPO. Also, we did not find evidence that 3sHealth sought information from member agencies on GPO-facilitated suppliers' performance prior to making this decision.

Extending existing purchase commitments with the GPO without further analysis increases the risk that 3sHealth may renew agreements with suppliers who do not meet the needs of member agencies. In addition, extending existing commitments with limited analysis and member agency input increases the risk that only GPO-led selected suppliers are used thus potentially impacting the fair and equitable treatment of suppliers.

8. **We recommend Health Shared Services Saskatchewan obtain approval from member agencies prior to extending existing purchase commitments with the national group purchasing organization.**

4.4.3 Communication of Appeal Mechanism Needed to Address Supplier Disputes and Concerns

Providing debriefing and complaint instructions is an important mechanism for gathering feedback from unsuccessful bidders that can be used to continuously improve procurement processes. We expected 3sHealth, for internally-led procurements, to:

- *Establish a process to communicate tender decisions to successful and unsuccessful bidders in a reasonable period*
- *Solicit feedback from unsuccessful bidders*
- *Have an appeal process to address supplier disputes/concerns*

We recognize 3sHealth is not directly involved with selecting suppliers for GPO-led procurements.

For internally-led procurements we tested, 3sHealth communicated tender decisions to successful and unsuccessful bidders via award and rejection letters. 3sHealth provided award and rejection letters to bidders within a reasonable period. This allowed suppliers to bring forward any issues or complaints requiring 3sHealth's attention in a timely manner.

3sHealth policy requires staff to provide debriefing instructions to bidders as part of tendering documentation. For internally-led procurements we tested, staff provided these instructions to bidders as part of the tendering documentation, consistent with policy.

While 3sHealth had an established process to receive complaints from bidders, it did not have a bidder appeal process. Management indicated that it was aware of changes to the NWPTA made in July 2015 to establish a bid protest mechanism. By July 31 2015, 3sHealth had not yet communicated the availability of the bid protest mechanism to its bidders.

Communicating such a process ensures bidders are aware of how to request an appeal. This provides an opportunity for bidders to seek remedies in the event a bidder feels unfair treatment. An ineffective appeal process increases the risk of unequal treatment of bidders.

9. **We recommend Health Shared Services Saskatchewan communicate to bidders the bid protest mechanism available under the New West Trade Partnership Agreement.**

4.4.4 Written Contractual Agreements in Place

We expected 3sHealth to minimize risk by using written contractual agreements including a minimum set of provisions set out in a contract template or through legal review.

For internally-led procurement files we tested, 3sHealth used a standard contract template containing a minimum set of provisions. For complex procurements, 3sHealth management indicated it obtains external legal advice to ensure contracts include all necessary provisions.

For GPO-led procurements, 3sHealth uses a standard commitment form obligating them to purchase through suppliers negotiated by its GPO.

4.5 Better Monitoring of Performance Related to Procurement Needed

4.5.1 Reporting of Assessment of Controls in Operation within National Group Purchasing Organization (GPO) Needed

We expected 3sHealth to establish reporting requirements to assess its selected national Group Purchasing Organization's (GPO) performance. We also expected 3sHealth to receive information on controls used by its selected GPO to ensure the GPO's procurement processes are fair and transparent and achieved 3sHealth's objectives.

3sHealth has set reporting requirements as part of its agreement with the selected GPO consistent with its goal of reducing costs of goods and services to Saskatchewan's health system. For example, 3sHealth receives, from the GPO, quarterly information on savings achieved through rebates[11] provided to member agencies for certain purchases made through the GPO. We found that 3sHealth received cost savings-related reports consistent with the agreement.

As 3sHealth relies on the GPO to provide value to its member agencies in a fair and transparent way, it is important 3sHealth understands the control environment of its GPO and whether key aspects of the GPO's procurement processes align with 3sHealth's expectations as set out in its procurement policies.

As described in **Section 4.1.4**, we found that 3sHealth has mechanisms to capture information on the effectiveness of GPO procurement controls such as:

- Representation on the GPO's Board
- Participation on various GPO committees
- Involvement in GPO-led procurements such as participating in the development of evaluation criteria, specifications, scoring of proposals, and awarding contract decisions.
- Regular contact with the GPO's member support teams

However, we found that control information captured through these mechanisms was not periodically or formally reported back to 3sHealth senior management or the Board.

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[11] As per the Procurement Management Services Agreement between 3sHealth and the GPO, rebates (e.g., volume discounts) are received by member agencies in the form of patronage dividends to member agencies and 3sHealth proportionately to the revenues derived from participation in GPO purchasing programs.

Management indicated reporting was not provided as no significant issues were identified.

Not receiving periodic, formal reporting whether the GPO's procurement controls align with 3sHealth's policies increases the risk of not having fair and transparent procurement processes. See **Recommendations 3** and **4**.

4.5.2 Performance of Suppliers not Periodically Assessed

We expected 3sHealth to:

- *Provide member agencies with adequate information on supplier contracts*
- *Define supplier performance reporting requirements and obtain related information*
- *Report performance problems to suppliers*
- *Regularly share performance of suppliers with relevant decision-making bodies (e.g., Materials Management Committee, senior management, Board for significant items) to inform future supplier selection decisions*

For internally-led procurement, 3sHealth provides member agencies with copies of contracts on its electronic supply system. The system is accessible to employees of member agencies with procurement responsibilities. For GPO-led procurements, member agencies were provided with a contract information sheet for each contract. The contract information sheet provides key contract terms, ordering/service information, and a pricing for all products available under the contract. As such, member agencies are provided with adequate information on supplier contracts.

For internally-led procurements, 3sHealth's Contract Administration and Management Policy requires 3sHealth staff to measure and report supplier performance. For example, it requires regular reporting related to service levels and customer satisfaction. The Policy also states that, at a minimum, staff must provide weekly internal status reports and monthly management reports.

We found that 3sHealth did not actively monitor supplier performance. Other than receiving product issue reports[12] from member agencies, 3sHealth collected limited information on supplier performance. Lack of supplier performance information limits 3sHealth's ability to use this information to make future supplier selection decisions. Limited supplier performance information also increases the risk that issues with suppliers may not be identified and addressed in a timely manner.

In addition, it did not formally share collected information with the Board, Material Management Committee, other member agencies, or others with responsibilities for procurement. This can result in member agencies continuing to purchase goods and services from suppliers with known problems, resulting in increased costs. In addition, as 3sHealth procures healthcare-related goods and services that are often provided directly to the public, an unresolved issue with a supplier could also present a health risk.

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[12] When issues arise with supplier products, member agencies can fill out a product issue form. The form is submitted to 3sHealth for investigation and issue resolution. 3sHealth reviews outstanding product issues on a monthly basis.

10. We recommend Health Shared Services Saskatchewan track and periodically assess the performance of its suppliers of goods and services for shared procurements.

11. We recommend Health Shared Services Saskatchewan regularly provide information on supplier performance to member agencies, senior management, and the Board.

4.5.3 Information Provided by Ministry of Health to Estimate Cost Savings Needs Validation

We expected 3sHealth to use an acceptable methodology to calculate publicly reported cost savings and that it would validate the accuracy of inputs into the cost savings calculations prior to reporting to the public.

3sHealth uses a methodology to estimate its savings to the healthcare system. The methodology includes various assumptions and data. In April 2013, 3sHealth had an accounting firm review its savings framework; the firm found that overall the method 3sHealth used to estimate savings was acceptable.

We found 3sHealth assembles an evidence binder to support annual reported savings calculations. Each year, 3sHealth's Internal Audit unit validates, in part, the publicly-reported cost savings included in the evidence binder. Its work focuses on verifying amounts included in cost-saving estimates as part of its annual work plan.

One key assumption the methodology uses is an estimated growth rate on goods and services' price indices. In fiscal 2014-15, the amount of savings attributed to the growth rate was $1.58 million. This equates to about 10% of the total savings of $15.39 million calculated by 3sHealth for the year.

We found 3sHealth obtained growth rates from the Ministry of Health to estimate inflationary cost savings for each fiscal year without assessing the basis or appropriateness of those rates. We noted that 3sHealth applies conservatism in calculating their growth rate related savings by only applying 50% of the growth rate. Management indicated the Ministry of Health's assumptions and calculation methodologies were validated by 3sHealth's Internal Audit in 2013; however, no work has been done since that time to assess whether fiscal 2014-15 growth rates provided by the Ministry of Health were reasonable.

The Ministry of Health advised us that the estimated growth rates are based on broad categories of expenses, and include both price and volume changes. The Ministry uses these growth rates to allocate funding to RHA's during the budget process and provides the same rates to 3sHealth to use in their cost savings calculations.

Not validating the reasonableness of the assumptions used in the methodology increases the risk that 3sHealth may report inaccurate cost savings.

12. We recommend Health Shared Services Saskatchewan validate annually the reasonableness of growth rates used to estimate cost savings related to inflationary price increases.

3sHealth generally provides information to the public on both annual and cumulative cost savings through its annual reports.[13] However, we found that the 2014-15 annual report included only cumulative savings. Management indicated that only cumulative savings were provided in the report as the organization had reached the end of its 5-year target and was focusing on those results. However, focusing only on cumulative savings does not give the public sufficient information to enable them to assess the value 3sHealth has achieved in a given year.

Also, we note 3sHealth does not tell the public that the publicly-reported cumulative savings is an estimate and that this estimate may differ from actual savings.

13. We recommend Health Shared Services Saskatchewan make public its estimate of annual cost savings to the healthcare system along with information to help the public understand the basis for its estimate.

5.0 SELECTED REFERENCES

Guidelines to the Procurement Obligations of Domestic and International Trade Agreements. http://www.newwestpartnershiptrade.ca/pdf/13-08-21_Procurement_Guidelines_final%20for%20_distibution.pdf (30 April 2015).

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[13] 3sHealth's 2012-13 and 2013-14 annual reports provided cost saving information on both an annual and a cumulative basis.

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Chapter 35
Highways and Infrastructure—Addressing Road Safety Concerns on Existing Highways

1.0 MAIN POINTS

Saskatchewan has one of the highest fatality rates resulting from vehicle collisions in Canada. While 93% of vehicle collisions have human factors (like distracted driving) as contributing factors, 34% of vehicle collisions have roadway factors (like condition of the road surface) as contributing factors.

The Ministry of Highways and Infrastructure (Ministry) is responsible for managing the province's 26,175 kilometers of highways.[1] This includes maintaining safe road conditions. Its Safety Improvement Program objective is "to reduce the frequency and severity of collisions on provincial highways".[2]

For the period September 1, 2014 to August 31, 2015, the Ministry had, other than for the following, effective processes to address safety concerns raised on existing provincial highways. The Ministry needs to develop and follow a consistent process for tracking receipt of and responding to road safety complaints. In addition, it needs to set out criteria for selecting safety improvement projects to complete in the upcoming year, and require its staff to keep its analysis and rationale for selecting those projects. Also, it needs to give senior management periodic reports on the achievement of its road safety improvement program objectives.

This chapter describes the results of our audit on the effectiveness of the Ministry's processes to address safety concerns raised on existing provincial highways.

2.0 INTRODUCTION

2.1 Vehicle Collisions and Contributing Factors

Collisions are random events and many factors can contribute to them. These include human factors,[3] vehicle factors,[4] and environmental conditions/roadway factors including road condition.[5,6] As shown in **Figure 1**, these multiple factors often overlap. For example, 34% of vehicle collisions have roadway factors as a contributing cause and 30% of vehicle collisions have both roadway factors and human factors as contributing causes (i.e., 27% plus 3%). Also, 57% of vehicle collisions have human factors as the sole cause.

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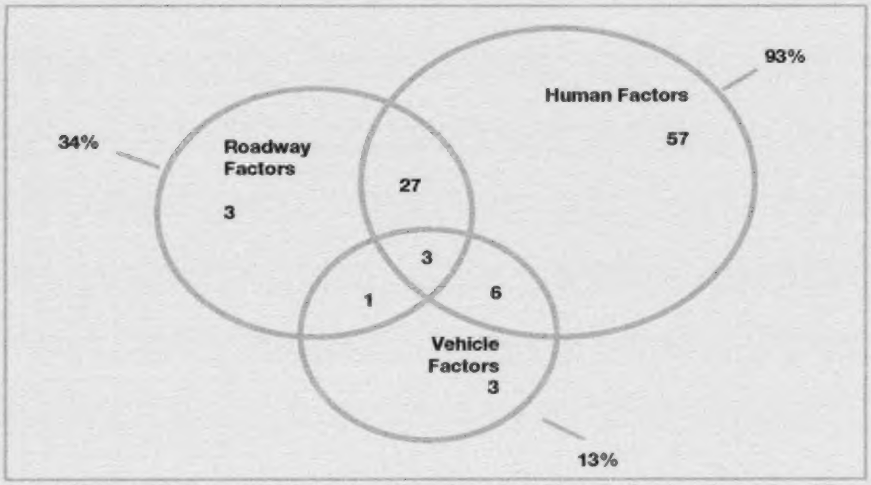
[1] *Ministry of Highways and Infrastructure 2014-15 Annual Report*, p.4.
[2] SIP 200-1, p.1.
[3] Human factors could include distracted driving, driving while impaired, speed or failure to yield.
[4] Vehicle factors could include vehicle defect, load shifted or spilled.
[5] Environmental conditions could include: road condition, animal action, weather conditions.
[6] Example of roadway factors includes the condition of the surface or structure of the road which includes design.

Figure 1—Contributing Factors to Vehicle Collisions



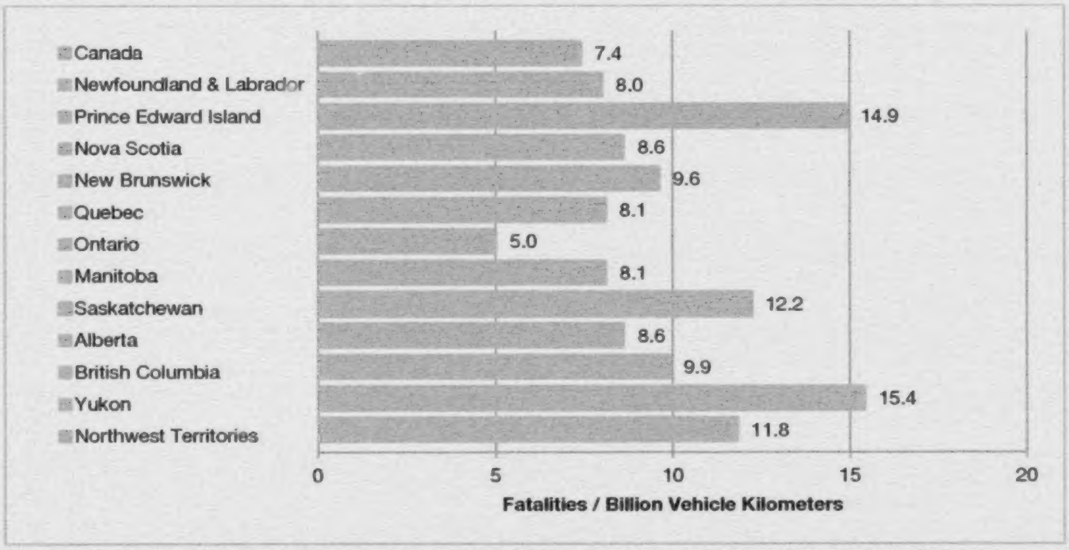
Source: Ministry of Highways and Infrastructure information, adapted from the American Association of State Highway and Transportation Officials *Highways Safety Manual – Volume 1*.

Roadway factors can lead the public, municipalities, other government agencies and Ministry staff to express concerns about road safety (e.g., adequacy of turning lanes, lighting or signage, pedestrian crosswalks, traffic signals, road condition).

2.2 Collisions in Saskatchewan

As shown in **Figure 2**, in 2008, Saskatchewan had one of the highest fatality rates resulting from vehicle collisions in the country.

Figure 2—Canadian Fatalities per Billion Vehicle-kilometres by Province/Territory[a]



Source: Canadian Motor Vehicle Traffic Collision Statistics 2008, www.tc.gc.ca/eng/motorvehiclesafety/tp-tp15145-1201.htm (17 September 2015). 2008 is the most recent statistics available at September 2015.

[a] These numbers are fatalities occurring on all roadways in a province and include municipal roads that are not under Provincial control.

Because collisions are random, the frequency and severity of collisions can vary significantly over the short-term[7] (i.e., in one year there may be many collisions whereas the following year there may be only a few). As shown in **Figure 3**, from 2009 to 2013 collisions on Saskatchewan provincial highways in total and those resulting in injuries have increased by almost 9% (i.e., by 614) and by almost 7% (i.e., by 123) respectively.

In 2013, vehicles travelled over 9.4 billion kilometers on Saskatchewan highways.[8] This is comparable to 2012 travel.[9] In 2013, on average, 21 collisions occurred per day on Saskatchewan highways. This has increased from 19 per day on average in 2012.[10] The Ministry has estimated that collisions on provincial highways in 2013 costed society over $630 million.[11]

Figure 3—Collisions on Saskatchewan Provincial Highways from 2009 to 2013

Year	Total Collisions	Collisions Resulting in Injury	Collisions Resulting in Fatalities	Collisions With Road Condition as a Contributing Factor
2009	6,923	1,811	97	1,622
2010	7,008	1,766	96	915
2011	7,621	1,876	107	1,453
2012	6,867	1,749	128	1,231
2013	7,737	1,934	85	2,038

Source: Saskatchewan Government Insurance's *Saskatchewan Traffic Accident Facts*; 2013 is the most recent statistics available at September 2015.

In 2013, the Legislative Assembly of Saskatchewan (Assembly) recognized the need to improve traffic safety in Saskatchewan. In March 2013, the Assembly appointed a Special Committee on Traffic Safety. In August 2013, the Committee tabled its final report in the Assembly that included 26 recommendations to address safety concerns on highways. As shown in **Figure 4**, the Committee directed five of those recommendations at the Ministry either solely or in conjunction with other agencies (e.g., Saskatchewan Government Insurance [SGI]). These include recommendations to address high-collision intersections, wildlife collisions, and the need for rest stops on major highways.

Figure 4—Extract of Highways-related Recommendations from the *Final Report of Special Committee on Traffic Safety*

Recommendation 19 – Your committee recommends Saskatchewan Government Insurance and the **Ministry of Highways and Infrastructure** work with municipalities to address high collision intersection concerns.

Recommendation 20 – Your committee recommends Saskatchewan Government Insurance, the Ministry of Environment and the **Ministry of Highways and Infrastructure** continue to work together on solutions to mitigate wildlife collisions.

Recommendation 23 – Your committee recommends the **Ministry of Highways and Infrastructure** study the need for rest stops on major highways.

Recommendation 24 – Your committee recommends Saskatchewan Government Insurance and the **Ministry of Highways and Infrastructure** partner with municipalities and First Nations communities to address local concerns.

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[7] Ministry of Highways and Infrastructure, adapted from the *American Association of State Highway and Transportation Officials Highways Safety Manual – Volume 1*.
[8] Saskatchewan Government Insurance (2014), 2013 *Saskatchewan Traffic Accident Facts*, p.107.
[9] Ministry of Highways and Infrastructure (2013), *Travel on Saskatchewan Highways*, p. iv.
[10] Calculated based on *Saskatchewan Traffic Accident Fact* information in **Figure 3** divided by 365 days.
[11] Calculated using cost information per type of collision from the Ministry of Highways and Infrastructure (2015), *Vehicle Collision Cost Review*.

Recommendation 26 – Your committee recommends Saskatchewan Government Insurance, the **Ministry of Highways and Infrastructure** and the Ministry of Justice work collaboratively to establish a standardized protocol and reporting system for highway closures.

2.3 Responsibility for Highways Safety

SGI and the Ministry share responsibilities for the safety of the motoring public on provincial highway systems (e.g., the roadway and human factors).

SGI is responsible for most traffic-safety legislation, programs, and policies.

The Ministry is responsible for road safety, and the regulation and protection of "public improvements"[12] under *The Highways and Transportation Act, 1997.*[13] This includes responsibility for the continuous improvement of safety of the design features of the road (e.g., turning lanes, lighting, guardrails, pedestrian crosswalks, the location and type of intersections, highway access points), as well as pavement marking and signage (e.g., exit signs). The Ministry is responsible for assessing and improving the design features of existing provincial highways.

The Design and Innovation Division (Division) within the Ministry is responsible for road design safety and traffic guidance. The Division is responsible for reviewing concerns raised about safety on highways and determining which projects to address these concerns the Ministry should undertake, when, and how. In 2014-15, the Ministry spent $6.8 million (2013-14: $8.2 million) on its Safety Improvement Program.[14]

Being aware of and addressing safety concerns reduces the impact of collisions on society such as loss of life and/or quality of life, lost productive capacity, policing costs, and court costs. A reduction of collisions also reduces the impact on the health care system.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Ministry of Highways and Infrastructure's processes used for the period September 1, 2014 to August 31, 2015 to address safety concerns raised on existing provincial highways.[15]

For the purposes of this audit, safety concerns relate to the design features of the road. These include those raised by the public or internally by staff within the Ministry of Highways and Infrastructure. This audit does not include safety concerns related to winter maintenance or construction work zones.

We examined the Ministry's policies and procedures that relate to identifying, ranking and addressing safety concerns on existing highways. We assessed the Ministry's processes and tested a sample of identified safety concerns to assess whether it followed its policies and procedures and whether it addressed safety concerns in a timely manner.

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[12] *The Highways and Transportation Act,* 1997 defines a **public improvement** to include: an airport, ditch, ferry, fire-guard, land required for securing material in connection with road works, a public highway, real and personal property that has been or will be a public improvement, a railway, rest stop or transit system.

[13] Section 3 of *The Highways and Transportation Act, 1997.*

[14] *Ministry of Highways and Infrastructure 2014-15 Annual Report*, p.11, and *Ministry of Highways and Infrastructure 2013-14 Annual Report*, p.11.

[15] For the purposes of this audit, provincial highways means both paved and gravel roads under the responsibility of the Ministry. It does not include grid roads which are the responsibility of the individual municipalities.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Management agreed with the criteria (see **Figure 5**).

Figure 5—Audit Criteria

1. **Define strategy to address road safety concerns**
    - 1.1 Establish specific road safety objectives, strategies, and performance measures
    - 1.2 Gather baseline information on performance measures related to road safety
    - 1.3 Document procedures for assessing individual road safety concerns
2. **Develop plan to address road safety concerns**
    - 2.1 Gather information on road safety concerns
    - 2.2 Determine resources required to address road safety concerns (e.g., human resource, financial)
    - 2.3 Rank road safety concerns using set criteria
    - 2.4 Select road safety concern projects
    - 2.5 Assign responsibilities for road safety concern projects
3. **Carry out plan to address priority road safety concerns**
    - 3.1 Carry out priority road safety concern projects
    - 3.2 Monitor to ensure priority road safety concerns are addressed within appropriate timeframe
4. **Monitor achievement of road safety objectives**
    - 4.1 Review and analyze progress on performance measures against baseline information
    - 4.2 Report on performance measures against baseline information
    - 4.3 Use information to adjust future road safety concern projects

We concluded that, for the period of September 1, 2014 to August 31, 2015, the Ministry of Highways and Infrastructure had, other than the following, effective processes to address safety concerns raised on existing provincial highways. The Ministry needs to:

- **Develop and follow a consistent process for tracking receipt of and responding to road safety complaints**
- **Set out, in writing, the criteria for selecting safety improvement projects to complete in the upcoming year**
- **Require its staff to keep its analysis and rationale for selecting safety improvement projects to complete in the upcoming year**
- **Give senior management periodic reports on the achievement of its road safety improvement program objectives**

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Strategy to Address Concerns

We expected that the Ministry would have processes to set out specific objectives and strategies related to addressing road safety concerns raised (e.g., response times). The Ministry would have a documented process to identify, and assess and rank road safety concerns. It would set related performance measures (e.g., collision reduction measures) and gather baseline information to enable assessment of its progress towards addressing safety concerns.

4.1.1 Documentation of Complaint Tracking Needed

The Ministry's *Safety Improvement Program Manual* (SIP Manual) sets out the purpose of the Ministry's Safety Improvement Program as "to reduce the frequency and severity of collisions on provincial highways through the implementation of infrastructure related safety improvements." The SIP Manual requires the Ministry to analyze and respond to every external complaint that it receives.[16] It defines external complaints as those it receives from the general public, businesses, or other government agencies. It also requires the Ministry to investigate every fatal collision to determine its cause and whether deficiencies in highway conditions may have contributed.[17]

The Ministry receives complaints in various ways (e.g., phone calls, emails, letters or in person). Complaints are typically directed to its Deputy Minister's Office or to individual branches within the Ministry.

The Deputy Minister's Office formally documents and tracks external complaints it receives and when it responds to the complainant. The SIP manual specifies that the Ministry is to respond to safety complaints brought forward within a few weeks. We found, consistent with the Ministry's expectations, for the complaints received by the Deputy Minister's Office that we examined, the Ministry responded to the complainant within one month of receipt of the complaint. Correspondence to complainants set out next steps the Ministry planned to undertake to determine a solution to the complaint (e.g., completing a speed study or traffic study). We found that the Ministry completed those studies.

However, the Ministry's Design and Innovation Division did not consistently document or track all external and internal road safety complaints it received or when it responded to external complaints. For example, in our testing, we found that it did not keep a record of the complaints it received or record how and when it responded to them. It uses a database (SIP database) to track only those complaints which it deems a safety improvement project is necessary.

Not having a consistent process across the Ministry for documenting and tracking road safety complaints increases the risk that a road safety concern may not be appropriately considered and addressed as needed. Also, lack of documentation of its handling of complaints reduces the Ministry's ability to show that complaints were handled appropriately.

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[16] SIP 200-1, p. 1.
[17] Ibid., p. 1.

1. **We recommend that the Ministry of Highways and Infrastructure develop and follow a consistent process for tracking complaints about road safety.**

The SIP Manual outlines the Ministry's process for analyzing complaints or issues, and for recommending projects to address identified road safety concerns. **Exhibit 5.0** sets out, in a flowchart, the process the Ministry uses. This process includes analyzing safety complaints raised and determining if the complaint identifies a valid road safety concern, and whether a safety improvement project is necessary. It has based this process on best practices of other jurisdictions (both within Canada and internationally).

4.1.2 Baseline Information on Road Safety Concerns Gathered

The Ministry expects all provincial highways be constructed and maintained within minimum design standards.[18] *The Ministry of Highways and Infrastructure Design Manual* sets out its minimum design standards for particular sections of a highway (e.g., design of intersections, curve of road based on speed). It maintains this manual based on national and international best practices. The Ministry has modified certain practices from national and international best practices to address needs specific to Saskatchewan roads (i.e., wide fluctuations in temperatures, and winter conditions).

The minimum design standards provide the Ministry with a baseline for deciding whether safety improvements to existing roads are necessary (i.e., for each concern raised, staff determine if the existing road design meets current minimum design standards).

In addition, the Ministry uses another baseline measure called Collision Modification Factors (CMFs). The United States Department of Transportation developed CMFs. CMFs estimate the potential change in the frequency and severity of collisions resulting from a safety improvement. For example, a CMF of 0.60 means implementing a particular safety improvement has the potential to reduce collision frequency by 40%. The CMFs help the Ministry to determine the cost-benefit of the safety improvement proposed.

4.2 High-Priority Concerns Not Defined

We expected the Ministry to compile information on safety concerns raised through internal and external sources and from analysis of road safety statistics and studies (e.g., report from the Special Committee on Traffic Safety). It would determine and assign responsibilities and the resources required to address the concern (e.g. staff, material costs, and equipment costs). We also expected the Ministry to determine when a concern does not require action and would systematically prioritize and select projects.

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[18] When the Ministry makes changes to its minimum design standards, it uses those standards on future maintenance or safety improvement projects. It can take several years before a particular highway is upgraded to meet current minimum design standards.

We expected the Ministry to complete, for those projects identified as a priority, the required work within an appropriate timeframe. It would periodically assess its progress towards completing priority projects.

4.2.1 Information on Road Safety Concerns Gathered

The Ministry compiles information on safety concerns from various sources to help it identify and understand road safety concerns. Sources include:

- Information from complaints it has received. Although as noted above, it does not have a consistent process to track all complaints about road safety and its response to those complaints.
- Information on collisions from SGI's collision information database. This database contains information on the number of collisions, type of collision (e.g., property damage, injury, fatality) and the location of the collision.
- Network screening studies.[19] The Ministry does network screening studies every three to five years. It uses these studies to analyze high collision sections and intersections on provincial highways. For example, its 2015 *Road Safety & Network Screening Study* identified road locations with safety concerns looking at the total number of collisions and collision rates concentrating on three key forms of collisions: road departure, animal-related, and winter-related.
- External studies. For example, 2013 *Final Report of the Special Committee on Traffic Safety.*[20]

The Division used the above information to analyze road safety concerns and to assess potential road safety improvement projects.

4.2.2 Processes for Assessing Road Safety Concerns Followed

The SIP Manual outlines the Ministry's process for reviewing road safety concerns, identifying solutions, and selecting projects to complete. It also sets out who is responsible for these steps. Its process requires staff to determine whether an identified road safety concern requires a safety improvement (the Ministry calls these "warranted concerns").[21] The Ministry tracks all warranted concerns in its SIP database including key information resulting from the Ministry's analysis of the concern and its proposed solution. At August 2015, the Ministry had 383 potential SIP projects in its database.

Its SIP Manual provides standardized resources and costs. The Ministry's *Safety Improvement Program Project Prioritization Guideline* outlines costs related to implementing specific safety improvements (e.g., costs to install an acceleration lane, per metre cost of installing guardrails, etc.). The Ministry expects staff to use this information as guidance to propose solutions. The SIP database automatically calculates the estimated cost associated with the type of treatment selected (e.g., turning lane, guardrail, flashing lights).

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[19] "Network screening" is the term used by the Ministry for the work it performs in collecting information on the total number of collisions and collision rates on highways within the provincial highway system. Network screening is used to identify high collision intersections which may require safety improvements to reduce the severity and/or number of collisions occurring at that location.

[20] See http://docs.legassembly.sk.ca/legdocs/Legislative%20Committees/TSC/Reports/130830Report1-27-TSC.pdf (3 October 2015).

[21] The Ministry uses the term "warranted" to mean a project, either safety improvement, resurfacing or major capital project, if carried out could improve road safety at that location.

For the warranted concerns we tested, the Ministry followed its processes to assess concerns raised and to determine further action required, if any. The Ministry analyzed the concern and kept documentation to support its recommended course of action (proposed solution/potential SIP project).

Other information in the SIP database includes the number of collisions at the specific location, and the cost vs. benefit to complete a proposed project. The Ministry uses the database to calculate and automatically assign a "priority score" to a proposed solution (potential SIP project). The priority score calculation takes into account costs of the proposed solution, effectiveness of the proposed solution (using CMF's), and collision history for that particular area of concern. The calculation can be adjusted for other factors (e.g., abnormal peak traffic, results of any consultant's studies, future traffic growth). Higher scores reflect projects that address higher safety risks.

At August 2015, priority scores for potential SIP projects ranged from 0 to 85. As reflected in **Figure 6**, 14% of the projects had scores greater than 49.

Figure 6—Breakdown of Potential SIP Projects by Priority Scores at August 31, 2015

Priority Scores	Number of Potential SIP Projects	% of Total Potential SIP Projects
80 or higher	3	1
60 – 79	23	6
50 – 59	27	7
30 – 49	95	25
29 or lower	235	61
Total	**383**	**100**

Source: Ministry of Highways and Infrastructure records.

For potential projects in the SIP database that we tested, all priority scores were correctly calculated in accordance with the Ministry's process.

4.2.3 High-Priority Projects Not Clearly Defined

The Ministry's SIP Manual expects the Division to develop a project plan each year that sets out which safety improvement projects the Ministry plans to do in the upcoming year (SIP annual project plan).

The Ministry has three regions (northern, central and southern); staff in each region are responsible for the highways in their geographical area. To develop the SIP annual project plan, the Division asks staff located in its regions to recommend projects for completion in the upcoming year to the Safety Improvement Project Committee (SIP Committee) for its review and approval.

The SIP Committee is comprised of members of the Ministry's Design and Innovation Division. The Committee includes Senior Project Managers of each region and a Ministry engineer. The Ministry noted that the Committee recognizes that funding available for the upcoming year impacts the number of projects selected for inclusion in the finalized current year project plan.

Using the listing of potential SIP projects as the starting point, each region recommends projects for its region. In deciding which project to recommend, Ministry staff advised us that regions do not rely exclusively on the priority score included in the SIP database. Rather, regions may recommend a project with a lower priority score when the Ministry has plans for major capital project or major maintenance work in the same highway section. For example, the Ministry leverages work on a resurfacing maintenance project to address a road safety concern that a potential SIP project was designed to address. Ministry staff also noted potential SIP projects with lower priority scores may be done sooner if the Ministry can share the costs of the project with a partner (e.g., private-sector company, municipality). For these situations, sharing costs can increase the priority score given the cost-benefit ratio is improved (one of the factors influencing the priority score). In these situations, the Ministry adjusts the estimated cost in the SIP database to reflect the potential cost-sharing.

While Ministry staff could explain their project selection process, we found that the Ministry did not have complete written criteria or guidance (in its SIP Manual or other documents) to guide decisions on which projects to include in the SIP annual project plan. Also, they could not clearly explain which projects they regarded as high-priority (that is, projects that must be addressed in the near term).

Lack of documented criteria increases the risk that the regions may recommend projects without consistent consideration of road safety risks that proposed SIP projects were designed to address. It also increases the risk that the Ministry may not focus its resources on addressing high-risk road safety concerns putting the traveling public at risk. Use of clear criteria would help ensure projects designed to address high road safety risks are completed as soon as possible and are not unduly delayed in favor of other government priorities.

2. We recommend the Ministry of Highways and Infrastructure set out, in writing, the criteria for selecting safety improvement projects to complete in the upcoming year.

In April 2015, the SIP Committee approved a 2015-16 project plan comprised of 15 projects. In our examination of this plan, we noted the following. The plan included five projects that were not in the SIP database. Ministry staff noted it included two of these projects at the direction of the Ministry's senior management. The plan also included 6 projects with priority scores of 28 to 49; these priority scores were lower than 53 potential SIP projects with priority scores of 50 to 85. The Ministry was unable to provide us with its supporting analysis or rationale for selecting some of these projects, included in the plan, over those with higher priority scores. The Ministry indicated that a number of the selected projects were tied to other significant construction projects in the area. However, neither the regions nor the Committee documented the basis for their selection decisions.

To gain insight as to how long high-risk projects remain unaddressed, we looked at the length of time potential SIP projects with higher priority scores have been in the SIP database.

Figure 7—Length of Time Potential SIP Projects with Priority Scores over 49 Outstanding at August 31, 2015

SIP Priority Scores	Number of Years in SIP Database	% of Total Potential SIP Projects
80 or higher	1.7 to 3.8	1
70 – 79	0.6 to 3.4	2
60 – 69	0.5 to 6.0	4
50 – 59	0.5 to 6.0	7

Source: Ministry of Highways and Infrastructure records.

Figure 7 shows that many projects with high priority scores have been outstanding for more than three years, some as long as six years. Management has not documented why it has not completed these higher priority SIP projects or whether it has addressed the related safety concern in some other manner.

Maintaining documented analysis or rationale for safety improvement selection decisions would increase the transparency of the Ministry's decisions.

3. **We recommend the Ministry of Highways and Infrastructure require its staff to keep its analysis and rationale for selecting safety improvement projects to complete in the upcoming year.**

For projects on the annual SIP project plan, management monitors the completion of the projects during the year. Management reviews reports that compare actual to budgeted costs for each project. Ministry staff also provides management with status updates on the projects related to expected completion time frames.

4.3 Monitoring Achievement of Road Safety Objectives Needed

We expected the Ministry to review, analyze, and report on its progress on achieving the safety improvement program objectives. It would adjust its program based on the information gathered.

4.3.1 Analysis Needed on Progress of Meeting Program Objectives

As previously noted, the Ministry's Safety Improvement Program's purpose (objective) is "to reduce the frequency and severity of collisions on provincial highways through the implementation of infrastructure-related safety improvements". However, we found management receives limited information as to whether its safety improvements are reducing the frequency and severity of collisions. For example, senior management does not receive summarized information on the analysis of trends in collisions overall or by highway section, the frequency and severity of the collisions that occurred where road factors were a contributing cause, and results of studies (external studies and internal network screening).

Without such analysis and information, management may not know if the Ministry is focusing its resources on the right safety improvement projects. Without reporting on results of meeting program objectives, the Ministry may not know if road safety projects were successful and if the resources spent on road safety improvement projects were worthwhile.

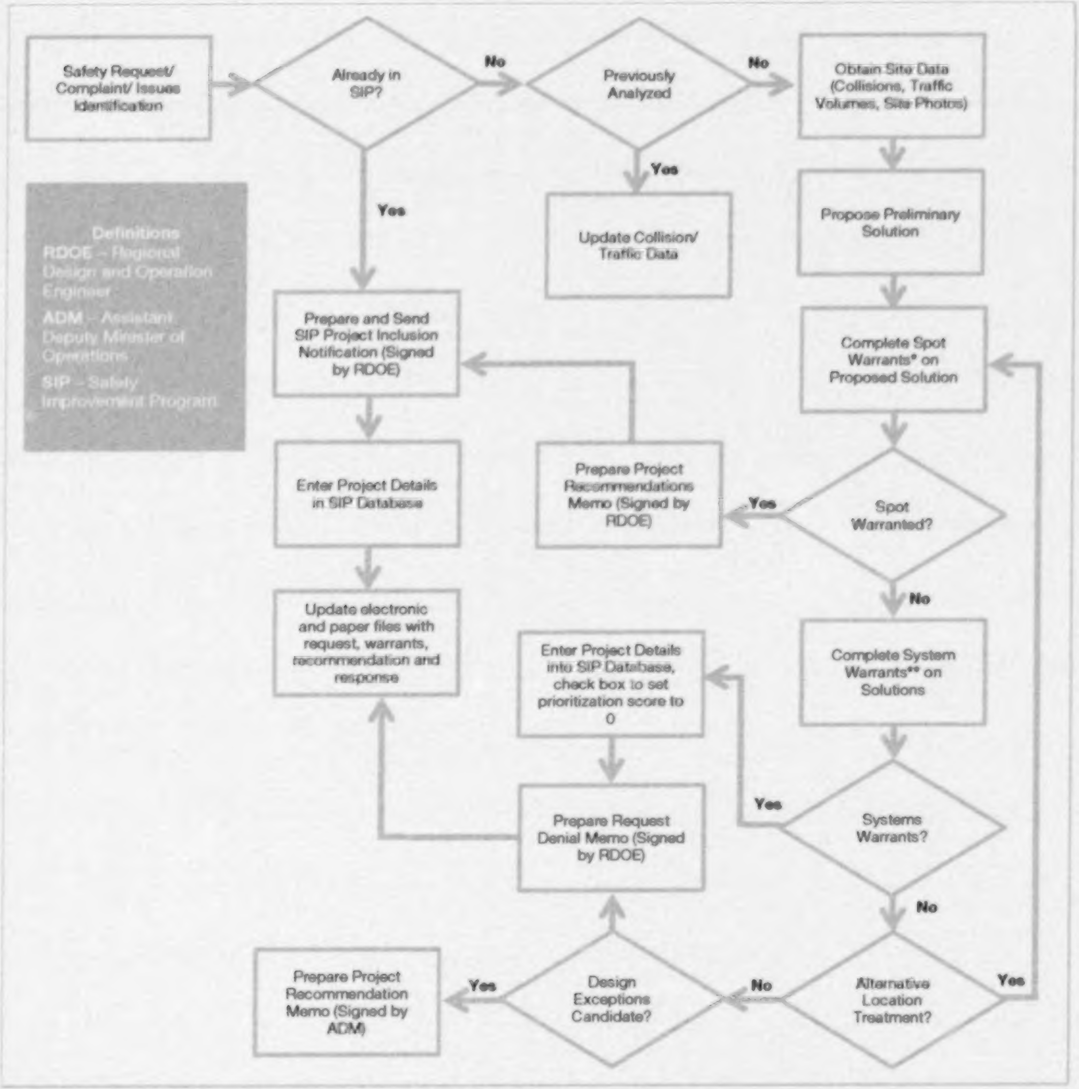
4. We recommend that the Ministry of Highways and Infrastructure give senior management periodic reports on whether its road safety improvement program helped reduce the frequency and severity of collisions.

4.3.2 Information Used to Adjust Future Road Safety Concern Projects

The Ministry uses information it has from past road safety concern projects to adjust its future road safety concern projects. For example the Ministry may adjust future projects as a result of uncontrollable factors (i.e., if projects are significantly and consistently delayed because of weather, then it may in future years select a larger number of projects to complete in order to fully utilize the budget) or it may adjust expected timelines for completion based on prior experience (e.g., commence planning for individual projects earlier). Management has also indicated that it plans to perform a full review of the Safety Improvement Program.

The Ministry also undertakes various studies related to road safety, completed either by individuals within the Ministry or external advisors. For example, its 2015 *Intersection Countermeasure Study* analyzed various available alternatives for safety improvements (e.g., use of roundabouts, traffic signals or alternative intersection configurations). The Ministry expects to use the results of this study to inform future safety improvement decisions.

5.0 EXHIBIT: FLOWCHART PROCESS TO ASSESS COMPLAINTS


Safety Request/ Complaint/ Issues Identification
Already in SIP?
No
Previously Analyzed
No
Obtain Site Data (Collisions, Traffic Volumes, Site Photos)
Yes
Yes
Update Collision/ Traffic Data
Propose Preliminary Solution
Definitions
RDOE – Regional Design and Operation Engineer
ADM – Assistant Deputy Minister of Operations
SIP – Safety Improvement Program
Prepare and Send SIP Project Inclusion Notification (Signed by RDOE)
Complete Spot Warrants* on Proposed Solution
Enter Project Details in SIP Database
Prepare Project Recommendations Memo (Signed by RDOE)
Yes
Spot Warranted?
No
Update electronic and paper files with request, warrants, recommendation and response
Enter Project Details into SIP Database, check box to set prioritization score to 0
Complete System Warrants** on Solutions
Yes
Systems Warrants?
Prepare Request Denial Memo (Signed by RDOE)
No
Prepare Project Recommendation Memo (Signed by ADM)
Yes
Design Exceptions Candidate?
No
Alternative Location Treatment?
Yes

Source: Safety Improvement Program Manual, section SIP 200-2, p.1.
*Spot Warrants are assessments of possible safety improvements for a particular section of the highway.
**System Warrants are assessments of safety improvements to meet minimum design standards.

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Chapter 36
Prairie North Regional Health Authority—Preventing Resident Falls within Long-Term Care Facilities

1.0 MAIN POINTS

Preventing falls of long-term residents must be managed well to keep long-term care residents safe.

This chapter reports that, for the 12-month period ended August 31, 2015, Prairie North had effective processes to prevent resident falls within its long-term care facilities with the following exceptions. It needs to:

- Make improvements to ensure a safe environment for residents is maintained (e.g., maintaining functionality of bed alarms, performing regular environmental audits)
- Complete regular resident fall risk assessments
- Establish a process to investigate significant resident falls in accordance with policy
- Consistently link individual care plans to identified fall risk factors
- Collect, assess, and report additional information on fall-related injuries to monitor performance related to fall prevention

As at August 2015, Prairie North was reviewing its fall prevention program to better align it with best practice.

We encourage other regional health authorities to assess the effectiveness of their processes to prevent resident falls in their own long-term care facilities using the criteria described in this chapter.

2.0 INTRODUCTION

Regional health authorities, under *The Regional Health Services Act*, are responsible for planning, organizing, delivering and evaluating health services within their specified health region including long-term care. To help meet these responsibilities, Prairie North Regional Health Authority (Prairie North, the region) must establish processes to prevent resident falls[1] within its long-term care facilities. Prairie North is one of Saskatchewan's 12 regional health authorities. The region oversees the provision of healthcare services for an area of north-west Saskatchewan serving a population of 102,702.[2]

Long-term care facilities (also called special-care or nursing homes) provide healthcare services for individuals whose needs cannot be met appropriately through home or community-based services (i.e., require 24-hour nursing care and/or supervision in a secure setting). Individuals are admitted into such facilities on the basis of assessed need.

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[1] *Safer Healthcare Now!* Reducing Falls and Injuries From Falls; A fall is an event that results in a person coming to rest inadvertently on the ground or floor or other lower level, with or without injury.

[2] Based on information provided by Prairie North management. As per management, the region provides services to approximately 83,000 Saskatchewan residents and nearly 20,000 Alberta residents.

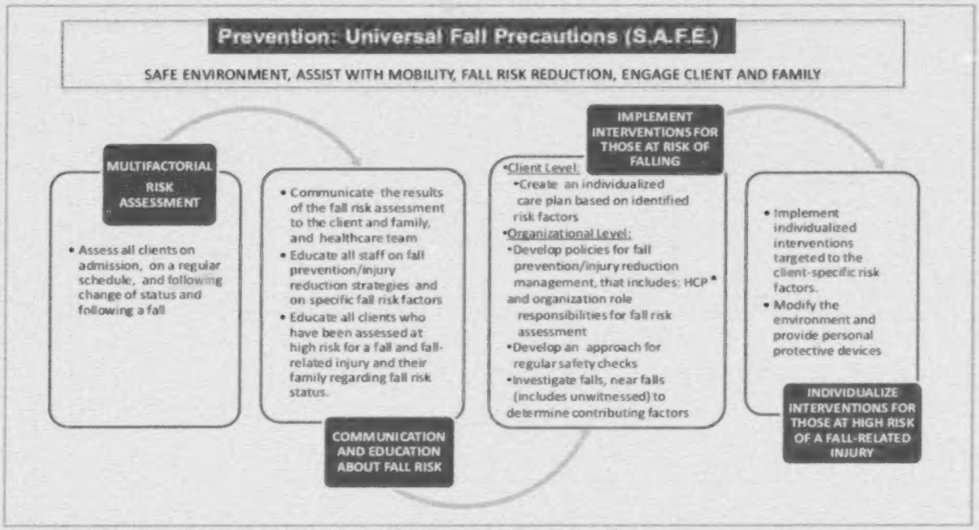
The Government funds long-term care facilities through regional health authorities. Regional health authorities may operate a long-term care facility directly or through an affiliation contract.[3]

2.1 Preventing Resident Falls in Long-Term Care Facilities

In recent years, across Canada, much time and effort has been devoted by healthcare providers to understanding what puts seniors at risk of falling and what kind of fall preventions work, for whom, and in what setting. Agencies such as the Public Health Agency of Canada recognize that the personal and economic costs associated with falls can be avoided through fall and injury prevention activities.

In response to these concerns, the Canadian Patient Safety Institute developed the "Reducing Falls and Injury from Falls Getting Started Kit" (kit) through the *Safer Healthcare Now!*[4] initiative. Its purpose was to support Canadian healthcare organizations to improve safety through the use of quality improvement methods and the integration of evidence into practice. As shown in **Figure 1**, the kit gives health care providers a fall prevention/injury reduction model based on best practice. The model provides information on key components needed to reduce falls.

Figure 1—Fall Prevention/Injury Reduction Intervention Model


Prevention: Universal Fall Precautions (S.A.F.E.)
SAFE ENVIRONMENT, ASSIST WITH MOBILITY, FALL RISK REDUCTION, ENGAGE CLIENT AND FAMILY
MULTIFACTORIAL RISK ASSESSMENT
• Assess all clients on admission, on a regular schedule, and following change of status and following a fall
• Communicate the results of the fall risk assessment to the client and family, and healthcare team
• Educate all staff on fall prevention/injury reduction strategies and on specific fall risk factors
• Educate all clients who have been assessed at high risk for a fall and fall-related injury and their family regarding fall risk status.
COMMUNICATION AND EDUCATION ABOUT FALL RISK
IMPLEMENT INTERVENTIONS FOR THOSE AT RISK OF FALLING
•Client Level:
•Create an individualized care plan based on identified risk factors
•Organizational Level:
•Develop policies for fall prevention/injury reduction management, that includes: HCP * and organization role responsibilities for fall risk assessment
•Develop an approach for regular safety checks
•Investigate falls, near falls (includes unwitnessed) to determine contributing factors
• Implement individualized interventions targeted to the client-specific risk factors.
• Modify the environment and provide personal protective devices
INDIVIDUALIZE INTERVENTIONS FOR THOSE AT HIGH RISK OF A FALL-RELATED INJURY

Source: *Safer Healthcare Now!* Reducing Falls and Injuries From Falls. Getting Started Kit.
* Healthcare provider.

As shown in **Figure 2**, when Saskatchewan's number of fall-related hospitalizations is compared with other provinces and territories, Saskatchewan remains below the national average but is in the top one-half.

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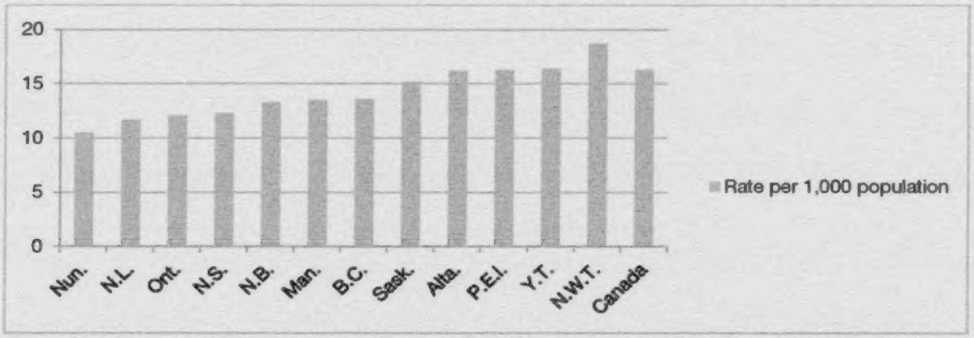
[3] Pursuant to *The Regional Health Services Act*, affiliate facilities are not owned or operated by regional health authorities, but receive funding from them to provide health services.
[4] Developed by the Canadian Patient Safety Institute in 2013.

Figure 2—Fall-Related Hospitalization Rates in Canadian Provinces and Territories 2012-13



Source: Canadian Institute of Health Information. Preventing Falls: Evidence to Improvement in Canadian Healthcare.

Statistics Canada reports that, by 2031, seniors will make up nearly one-quarter of Canada's entire population.[5] Based on 2011 census data, Saskatchewan had the third highest percentage of seniors at 14.87%.[6] As with most other provinces, the number of seniors in Saskatchewan is expected to increase into the future.

Fall-related incidents are the leading cause of injury for seniors across all Canadian provinces and territories and account for over 85% of all injury-related hospitalizations (based on 2008-09 data[7]). In Canada, direct healthcare costs for falls are estimated at $2 billion annually.[8] The Canadian Patient Safety Institute reports that falls in residential institutions (i.e., long-term care) in Canada represent approximately 17% of fall-related hospitalizations.[9]

The availability of acute care beds is also impacted by fall-related injuries. The average length of stay for a fall-related injury was 80% longer (16 days) across Canada compared to the average length of stay (8.9 days) for all other causes of hospitalization excluding falls (based on 2008-09 data).[10]

Due to a variety of factors (e.g., age, number of medications, underlying health conditions), residents within long-term care facilities face a significant risk of falling if not properly supervised by healthcare providers. CIHI reported that in 2013-14 approximately 10% of Saskatchewan's long-term care residents were considered at a high risk of falling and 7% considered at a medium risk for falling.[11]

Prevention of falls of long-term residents needs to be managed well to keep long-term care patients safe. Falls can result in pain and suffering for individuals and their families. Falls can have a devastating physical and psychological impact resulting in disability, chronic pain, loss of independence, reduced quality of life, and even death.[12]

Also, fall-related injuries contribute a significant burden on the healthcare system because of the resulting healthcare needs including physician visits, hospital stays, and rehabilitation services.

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[5] Statistics Canada. 2011.
[6] www.stats.gov.sk.ca/stats/pop/2011AgeSex.pdf (9 July 2015).
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[11] Canadian Institute for Health Information. Preventing Falls – From Evidence to Improvement in Canadian Health Care.
[12] Ibid.

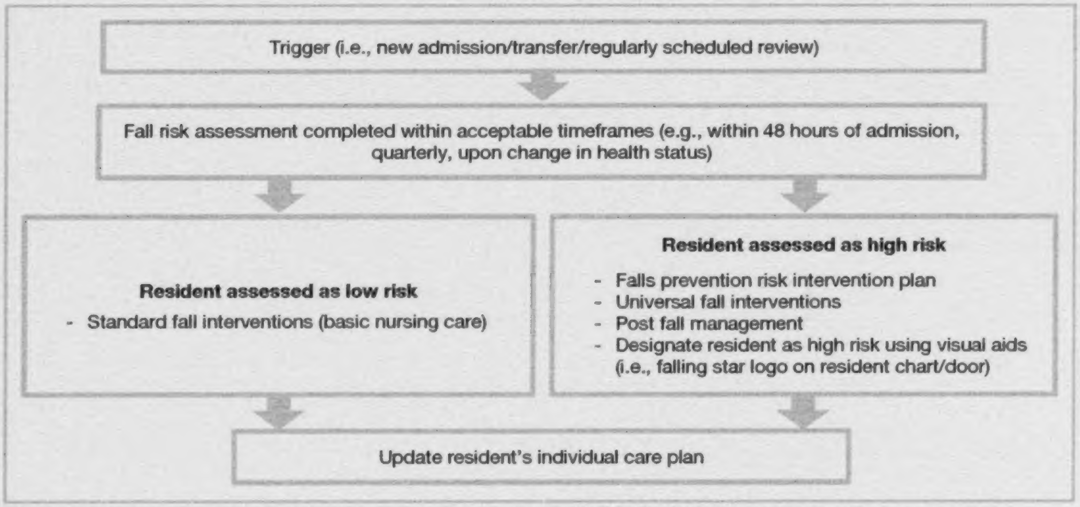
Prairie North's Fall Prevention Program

Prairie North established its falls prevention program in 2010. Similar to other regional health authorities, Prairie North uses the *Safer Healthcare Now!* guidance and model as the basis to deliver its fall prevention program.

Prairie North participates in Accreditation Canada's accreditation program, an ongoing process of quality improvement.[13] Accreditation Canada's May 2013 on-site survey of Prairie North found that the overall required organizational practices related to the fall prevention patient safety goal for long-term care services were unsatisfactory.

At August 2015, Prairie North is reviewing its fall prevention program to better align it with best practice. **Figure 3** provides an overview of the key components of the region's fall prevention program under review.

Figure 3—Prairie North Fall Prevention Program Overview (at August 2015)


Trigger (i.e., new admission/transfer/regularly scheduled review)
Fall risk assessment completed within acceptable timeframes (e.g., within 48 hours of admission, quarterly, upon change in health status)
Resident assessed as low risk
- Standard fall interventions (basic nursing care)
Resident assessed as high risk
- Falls prevention risk intervention plan
- Universal fall interventions
- Post fall management
- Designate resident as high risk using visual aids (i.e., falling star logo on resident chart/door)
Update resident's individual care plan

Source: Developed by Provincial Auditor's Office based on information provided by Prairie North's management.

Prairie North has 14 facilities providing long-term care services with 711 beds available along with a long-term bed ratio of 124 per 1,000 population aged 75 years or older. As set out in **Figure 4**, the region has 7 stand-alone special care homes, 5 health centres with attached special care home, and 2 community hospitals with attached special care home.

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[13] As per Accreditation Canada, the Qmentum accreditation program is designed to focus on quality and safety throughout all aspects of an organization's services – from governance and leadership to direct care and infrastructure – to the benefit of patients, clients, residents, staff and volunteers.

Figure 4—Long-Term Care Facilities

Special Care Homes Facility Name/Location	Number of Beds
Battlefords District Care Centre, Battleford	117
Dr. Cooke Extended Care Centre, Lloydminster	105
Jubilee Home, Lloydminster	50
Northlands Pioneer Lodge, Meadow Lake	55
River Heights Lodge, North Battleford	98
Ville Pascal, North Battleford (Affiliate)	38
Lloydminster Continuing Care Centre (Opened June 2015)	60
Total	523

Health Centre with Attached Special Care Home Facility Name/Location	Number of Beds
Cut Knife Health Complex, Cut Knife	30
Lady Minto Health Centre, Edam	20
L. Gervais Memorial Health Centre, Goodsoil	18
Loon Lake Health Centre & Special Care Home, Loon Lake	20
St. Walburg Health Complex, St. Walburg	32
Total	120

Community Hospitals with attached Special Care Home Facility Name/Location	Number of Beds
Maidstone Health Complex, Maidstone	37
Riverside Health Complex, Turtleford	31
Total	68

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Prairie North Regional Health Authority's processes to prevent resident falls within its long-term care facilities for the period from September 1, 2014 to August 31, 2015.

We examined Prairie North's policies and procedures that relate to fall prevention including its fall prevention policy, fall prevention model, client occurrence/safety reporting policy, and other relevant documents. We evaluated standard fall precautions in place within a sample of Prairie North long-term care facilities (e.g. maintaining safe work environment, assisting with mobility, reducing fall risk). We also visited seven long-term care facilities in Prairie North to observe practices and test a sample of resident files at each facility.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Prairie North's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Prairie North's management agreed with the criteria (see **Figure 5**).

Figure 5—Audit Criteria

1. **Implement standard fall precautions**
    - 1.1 Maintain a safe work environment
    - 1.2 Assist with mobility (e.g., transfers, mobilization, toileting, mobility aides within reach)
    - 1.3 Reduce fall risk (e.g., needed items/equipment available, equipment properly set)
    - 1.4 Communicate and educate staff/residents about fall risk
2. **Complete regular risk assessments**
    - 2.1 Establish standard assessment process (e.g., timelines, assessment tools) for evaluation of residents at risk of falling
    - 2.2 Assess all residents on admission
    - 2.3 Re-assess residents on a regular schedule
    - 2.4 Re-assess residents following change of health condition
3. **Implement interventions for those at risk of falling**
    - 3.1 Set organizational policies for fall prevention
    - 3.2 Develop individualized care plan based on identified risk factors
    - 3.3 Individualize interventions for those at high risk of a fall-related injury
4. **Monitor performance related to fall prevention**
    - 4.1 Collect key fall prevention related information
    - 4.2 Assess results against fall prevention performance benchmarks
    - 4.3 Report key fall prevention performance indicators to senior management and the Board

We concluded that, for the 12-month period ended August 31, 2015, Prairie North Regional Health Authority had effective processes to prevent resident falls within its long-term care facilities, except it needs to:

- **Make improvements to ensure a safe environment for residents is maintained (e.g., maintaining functionality of bed alarms, performing regular environmental audits, regularly updating key fall prevention policies)**
- **Complete regular resident fall risk assessments**
- **Establish a process to investigate significant resident falls in accordance with policy**
- **Consistently link individual care plans to identified fall risk factors**
- **Collect, assess, and report additional information on fall-related injuries to monitor performance related to fall prevention**

As of August 2015, Prairie North Regional Health Authority was reviewing its fall prevention program to better align it with best practice. Changes made to the program as a result of this review may address issues noted in this chapter.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria *(expectations)* and our key findings along with related recommendations.

4.1 Majority of Standard Fall Precautions in Place but Room for Improvement Exists

4.1.1 Improvements Needed to Ensure Safe Environment for Residents Maintained

We expected Prairie North to maintain a safe environment and provide needed supports to reduce fall risks for residents within its long term care facilities.

For the Prairie North long-term care facilities visited, we observed that each facility generally maintained a safe environment. For example, we found that equipment was kept to one side of the hallway, pathways from a resident's bed to the bathroom were clear from clutter, and handrails were placed on both sides of hallways. We also found that they each kept in place glare-free floors and well-lit resident bedrooms/bathrooms.

However, we found that facilities did not place chairs with arms at regular intervals in the hallways. As residents often have mobility limitations, it is important to place chairs with arms in hallways so residents can rest if needed.[14] Lack of chairs with arms in hallways throughout a facility increases the risk that residents who are mobile, but unable walk the full length of the hallway will experience a fall.

1. **We recommend that Prairie North Regional Health Authority place chairs in hallways at regular intervals within its long-term care facilities.**

Also, we found that the majority of facilities did not do regular fall prevention safety checks. In **Section 4.3.1**, we recommend these checks regularly take place. Without regularly scheduled checks, the region may not identify on a timely basis environmental hazards that arise.

Prairie North gave its long-term residents the majority of needed supports. For example, call bells[15] were within patient reach, bed alarms[16] were used, and grab bars were secured and reachable.

Prairie North performs semi-annual system checks on its call bell systems to help ensure they are functioning properly. In addition, the region's information technology staff monitor nurse call servers; they have an escalation procedure to access 24-hour service if problems related to the call bell system arise.

However, discussions with management indicated the call bell systems in a number of long-term care facilities were outdated presenting limitations in their effectiveness. Using information from management, we found updates such as the ability to interface with other alarm systems (e.g., bed and wheelchair alarm systems) were needed to maintain resident safety. Prairie North has a plan to replace the call bells in its long-term care facilities as finances allow. Management indicated call bell systems in two facilities are scheduled to be updated during 2015-16.

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[14] *Safer Healthcare Now!* Reducing Falls and Injuries From Falls.
[15] Call bell systems allow a resident to alert nursing or other health care staff remotely of their need for help.
[16] Bed alarms provide an alert to nursing or other health care staff when patients leave or attempt to leave their beds.

Adequate guidance was provided to staff on setting bed alarms. However, facility management indicated the bed alarm systems do not always function properly. In addition, we found nursing notes in a post-fall review indicating that a bed alarm did not function properly leading to a fall.

Bed alarm systems that do not function properly may limit nursing staff's ability to respond to situations that arise in a timely manner. As these systems are primarily used for high risk residents, this increases the importance that these systems work properly. A malfunctioning system can present a significant fall risk to residents and may result in a serious fall-related injury.

2. **We recommend that Prairie North Regional Health Authority develop processes to maintain functionality of its bed alarms systems used in its long-term care facilities.**

4.1.2 Mobility Assistance Supports Provided to Residents

We expected Prairie North staff to reduce resident fall risk by providing mobility assistance to residents (e.g., mobility aids within reach, toileting programs in place when needed).

In the Prairie North long-term care facilities visited, we observed staff provided mobility aids to residents as needed. Management indicated that residents may be placed on a scheduled toileting program where necessary to reduce fall risks. Based on resident files tested, we found evidence of the program being provided to residents with high fall risk.

4.1.3 Residents and their Families Provided with Information on Fall Risks

We expected Prairie North staff to:

- *Communicate with residents and their families regarding the results of fall risk assessments*
- *Provide education to those residents having a high fall risk and their families*
- *Educate staff on fall prevention strategies and specific fall risk factors*

Proactive, consistent and routine communication to residents and their family members is an essential strategy for preventing falls. Residents and family members should be included as active team members to help improve fall prevention initiatives and communication in long-term care settings.

The region's Fall Prevention Policy and Procedures expects nursing staff to communicate fall risks to residents and their families. The policy requires nursing staff to share information and collaborate with residents and their families regarding risk factors, treatments, medications, and significant changes pertaining to fall risk.

Upon admission into a long-term care facility, residents and their families are to receive a falls prevention brochure. Nursing staff are to go through the brochure with residents and their families to provide information on the region's approach to managing fall risk, key reminders (e.g., use call bell for assistance), fall risk factors to consider, and ways residents can reduce fall risk.

During the 12-month period ended August 31, 2015, Prairie North provided limited new training to staff on falls prevention. Management indicated all staff had been trained on the original program implemented in 2010. Management was waiting for the new fall prevention program to be fully developed before providing any additional training to staff across the region. The region expects to roll out the new program to facilities prior to the end of fiscal 2015-16.

For changes in practice to take place effectively, ongoing staff education is required. This education provides staff with needed information necessary for them to carry out their duties.

3. **We recommend that Prairie North Regional Health Authority provide training to staff on the new fall prevention program once implemented.**

4.2 Regular Fall Risk Assessments Needed

We expected Prairie North to have standard processes in place (e.g., timelines for assessments, assessment tools) to evaluate residents at risk of falling. We expected these processes to align with current fall prevention best practices. We expected these processes to be followed.

Standard processes to evaluate residents at risk of falling are necessary to ensure that staff perform risk assessments consistently and follow best practice. Failure to use risk assessment processes that aligns with best practice (i.e., Safer Healthcare Now! initiative) can result in improper evaluation of residents' fall risk. An improper evaluation may result in residents not receiving needed interventions.

Prairie North's policy requires that fall risk assessments be completed upon admission to a long-term care facility, and revised quarterly, upon transfer, or following any change in a resident's health status. Mitigations needed to address risks identified are to be documented in a fall risk intervention form, and included in the resident's care plan. We found that Prairie North management had established guidance for staff to use when evaluating residents at risk of falling. The guidance requires staff to use a standard falls risk assessment tool, sets expectations related to timeliness of fall risk assessments, and outlines requirements for updating fall risk assessments.

At August 2015, Prairie North used a risk assessment tool adapted from the "Hendrich II Fall Risk Model".[17] The tool was developed when the region's fall prevention program was created in 2010. The tool is a modified version of an approach supported by the *Safer Healthcare Now*! initiative.

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[17] The region uses an adapted Hendrich II Fall Risk Model to assess a resident's risk of falling by focusing on eleven independent indicators (history of a fall, confusion/disorientation, neurological or other disorders, decreased vision/hearing, medications that cause unsteadiness, change in ability to ambulate, bowel or bladder incontinence, compromised mobility, arthritis/osteoporosis/pain, general health, and residents insight into physical limitations).

To promote consistency with other health regions, management is in the process of changing to the "Scott Fall Risk Screen for Residential-Care".[18] It expects to implement a new risk assessment tool prior to the end of fiscal 2015-16.

Management indicated that Prairie North expects fall risk assessments be completed within 48 hours of admission to a long-term care facility. For the resident files we tested, this expectation was met, and residents were consistently assessed for fall risk factors on admission within an acceptable timeframe.

For the resident files we tested, 49% of residents were not re-assessed for fall risk on a quarterly basis as required by policy. Furthermore, 13% of residents did not receive fall risk re-assessments for periods extending greater than one year. Also, for the resident files we tested, 31% of residents who had experienced a fall did not have a fall risk re-assessment performed following the fall.

We noted the region does not set out what its policy means by requiring a risk assessment following any change in resident's health status. Further clarifying what a change in health status means with respect to falls would help staff apply the policy consistently and plan appropriate interventions.

As resident fall risks are not static and change over time, it is important to regularly re-assess resident fall risk to enable the use of interventions to address any changes that arise. Failure to perform risk re-assessments on a regular basis, or subsequent to a change in health status (e.g., a fall), increases the risk of a future fall resulting in injuries to residents.

4. We recommend that Prairie North Regional Health Authority follow its policy to perform fall risk re-assessments.

5. We recommend Prairie North Regional Health Authority give staff additional guidance to help them determine when they need to perform a fall risk-reassessment following a change in health status.

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[18] The Scott Fall Risk Screen for Resident Care is a validated tool in predicting fall risk based on identified risk factors. The tool includes prevention strategies and links specific prevention strategies to the person's identified risk factors such as poor mobility, agitation, incontinence or urgency, poor vision, poor cognition, weakness, dizziness, and inappropriate use of medications (taken from *Safer Healthcare Now!* Reducing Falls and Injuries from Falls Getting Started Kit).

4.3 Implementing Interventions for Those at Risk of Falling Requires Improvement

4.3.1 Updates to Fall Prevention Policies Needed

We expected Prairie North to establish regularly updated organizational policies for fall prevention that set out:

- *Roles and responsibilities for fall prevention within the region*
- *Restraint usage guidelines*
- *Regular documented fall prevention safety checks (i.e., environmental audits)*
- *Post-fall review reporting guidelines*
- *Critical incident reporting guidelines*

Setting comprehensive policies helps ensure staff are aware of the region's expectations related to fall prevention and supports staff in carrying out their duties related to fall prevention. Without strong policies, Prairie North may be placing resident safety at risk.

As noted in **Section 2.1**, the region is updating its falls prevention program. We found that while updates were needed to reflect best practices outlined in the *Safer Healthcare Now!* initiative, the existing program contained the majority of core elements of a fall prevention program. For example, the region's policies outlined restraint usage guidelines, set out procedures for addressing a fall after it occurred, and procedures for investigating and reporting critical incidents. However, some of these policies were not updated on a regular basis. The region's Safety Reporting Policy has not been updated since 2008. The region's Standards for Use of Restraints has not been updated since 2007.

Regularly updating policies helps to ensure that continuous improvement of processes is taking place and policies reflect changes in current best practice. This will support consistent reporting of fall-related incidents across the region.

Prairie North identified roles and responsibilities for fall prevention for members of the care team such as nursing, continuing care assistant, and environmental services staff. While roles and responsibilities of some key staff are documented in policy, additional guidance would be beneficial. As part of required fall prevention updates, the region should consider roles and responsibilities for other members of the multi-disciplinary team such as physicians, pharmacists, dieticians, physical therapists, occupational therapists, and social workers. Providing additional guidance in this area helps staff understand each other's roles and reinforces that fall prevention is a multi-disciplinary approach.

6. We recommend Prairie North Regional Health Authority regularly update key fall prevention policies.

While the region's fall prevention policies contained the majority of key components we expected, we found some areas needed improvement. For example, the region's policies include procedures for addressing a fall after it occurred (i.e., requiring a post-fall review). Prairie North used quarterly residents' minimum data set (MDS)[19] assessments to collect information on the health status of its residents. The results of these assessments are used by the care team to tailor care plans to each resident's needs and note significant events such as falls. However, we found that 25% of resident files with a fall noted on the quarterly assessment did not have a post-fall review completed.

Management indicated this may be the result of an incorrect entry in the MDS quarterly assessment (i.e., no fall actually took place), or a fall occurred and no post-fall review was completed. Management also indicated the region does not have a process to reconcile falls recorded in quarterly MDS assessments with completed post-fall reviews.

Without such a reconciliation, Prairie North cannot determine whether resident falls are appropriately investigated and subsequent corrective action taken. Uninvestigated falls increase the risk that the resident may experience a future fall leading to injury. In addition, management may make poor decisions on fall-related matters if fall reporting information collected is inaccurate.

7. **We recommend Prairie North Regional Health Authority establish a process to investigate significant resident falls in accordance with policy.**

We noted the region's policies do not require facility management to perform fall prevention safety checks (i.e., environmental audits)[20] within its long-term care facilities. We found that 5 of 7 facilities visited during the audit did not perform regular documented fall prevention safety checks. Management indicated long-term care nursing staff do these checks as part of their rounds, but are not asked to formally document them. Nursing staff are expected to bring forward identified issues and address them during nursing team meetings.

While nursing staff are an important part of addressing environmental concerns that arise on day-to-day basis, regularly scheduled fall prevention safety checks ensure issues are systematically identified and addressed. Lack of regular documented safety checks increases the risk that facility management may not know of environmental hazards in their facilities. Unaddressed environmental hazards increase the risk of resident falls occurring.

8. **We recommend Prairie North Regional Health Authority require each long-term care facility to complete and document regular fall prevention safety checks.**

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[19] MDS is an instrument implemented to improve the care of frail, elderly, and disabled adults in chronic and institutional long-term care homes by standardizing the assessment and care planning process (taken from http://www.hqontario.ca/Public-Reporting/Long-Term-Care/Information-About-Quality-Indicators) (6 October 2015).

[20] Environmental audits examine, at regular intervals, the effectiveness of standard fall risk interventions within long-term care facilities.

4.3.2 Individual Care Plans Not Always Linked to Identified Risk Factors

We expected nursing staff to develop individual care plans containing individualized interventions to manage identified fall risk factors.

The region's falls prevention program requires nursing staff to document fall risk interventions and record these interventions in the resident's individual care plan. The region has also developed a standard risk interventions form for nursing staff to document interventions used to minimize identified fall risks.

However, for the resident files we tested, 31% did not clearly link care plans to fall risk interventions identified in the fall risk intervention form. As a result, it was not clear whether care plans addressed all risk factors identified. For example, interventions to address fall risks identified, such as compromised mobility and medications causing unsteadiness, are recorded in a fall risk intervention form but were not always outlined in the care plan. Management indicated Prairie North is developing a standardized care plan that will help align care plans with fall risk assessments.

In addition, as noted in **Section 4.2**, we found staff did not always complete risk assessments on a regular basis or following a fall. Not performing these assessments may impact the quality of care plans as necessary interventions to address resident fall risk factors may not be provided.

Linking individual care plans to fall risk assessments helps ensure that individualized interventions are in place to minimize resident fall risks. Failure to develop care plans linked to fall risk assessments could result in serious fall-related injuries to residents.

9. We recommend Prairie North Regional Health Authority consistently link residents' individual care plans to identified fall risk factors.

4.4 Monitoring Performance Related to Fall Prevention Needs Improvement

We expected Prairie North to:

- *Collect key performance information related to falls*
- *Assess results against fall prevention performance benchmarks*
- *Take timely action to address areas that fall short of established performance benchmarks*
- *Report key fall prevention performance indicators to senior management and the Board*

Collecting key falls performance information and assessing against performance benchmarks enables management to monitor the progress of initiatives, track *performance over time, and compare performance with that of other long-term care facilities and jurisdictions using the same indicators. Reporting key information collected to senior management and the Board helps to ensure issues are identified and actively addressed.*

Prairie North collects and reports quarterly to senior management some performance information related to falls, such as:

- Number of resident falls
- Number of fallers
- Number of residents who had a fall risk assessment performed at time of admission
- Number of new hip fractures
- Percentage of falls compared to total incidents[21]
- Critical incidents[22]
- Percentage of residents who have fallen in the last 30 days
- Percentage of resident days that result in fall occurrences (i.e., fall frequency)
- Progress towards achieving fall-related targets (i.e., residents experiencing a fall in last 30 days) as part of visual wall walks[23]

We also found progress updates were provided to the Board through various reports.

While this provides some information on the number of falls occurring in the region, more falls-related injury information must be collected to better monitor and prevent falls. For example, additional information such as the percentage of falls causing injury and severity of fall injuries could be captured and reported.

Staff reported critical incidents to a Continuous Safety and Quality Improvement Committee consisting of Prairie North staff and four Board members including the Board Chair and Vice-Chair. The Committee meets on a monthly basis to discuss critical incidents in the region, and develops recommendations to address issues identified related to these events. We note that Prairie North does not report falls as critical incidents unless it results in a resident death. That is, it did not report adverse health events leading to serious disability such as a hip fracture from a fall as a critical incident.

In addition, the region's fall prevention coordinator performed audits of resident files to assess compliance with the region's fall prevention program in each long-term care facility. The audits found that improvements were needed to comply with the region's fall prevention program. The region was using their results as an input into developing a new fall prevention program. Recommendations were provided by the region's fall prevention coordinator to each facility to address issues identified in the audits.

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[21] Total incidents refer to the total number of occurrences (e.g., medication errors, falls) recorded in Prairie North's safety reporting system.

[22] Ministry of Health's *Saskatchewan Critical Incident Reporting Guideline, 2004*. The guideline requires reporting of any patient death associated with a fall (section V d) and adverse health events leading to death or serious disability from a variety of causes (sections V e, f, and i) as a critical incident.

[23] A "visual wall walk" is a short, stand-up meeting which brings an area manager and staff together at the same time each day or week. The manager reviews the team's progress towards achieving regional or unit targets displayed on the area's visibility wall.

While the number of falls in the region provides some of the information needed to effectively monitor fall prevention performance across the region, additional fall injury information is needed for a comprehensive analysis of performance. Without this information, senior management's and the Board's ability to address trends and take timely action to address issues identified is limited.

10. We recommend Prairie North Regional Health Authority collect information on fall-related injuries (e.g., percentage of falls causing injury, number of falls causing injury, severity of fall injuries).

11. We recommend Prairie North Regional Health Authority give senior management and the Board regular reports on fall-related injuries.

Prairie North uses the Ministry of Health's provincial quality indicator benchmark to assess its performance related to fall prevention. In 2015-16, the Ministry of Health revised its target of residents experiencing a fall within the last 30 days to 10%. The region compares the Ministry's target to its actual fall results on a quarterly basis. From April 2015 to June 2015, eight facilities were over the target ranging from just over 10% up to 22%.

For facilities not meeting this target, they must develop a formal action plan. We found that facilities not meeting targeted performance had developed action plans including a root cause analysis, proposed actions, and expected implementation dates.

While setting and monitoring this target provides one valuable benchmark to monitor performance and take timely action, further measures are needed to effectively monitor falls across the region. Targets for fall-related injuries are also needed to allow the region to monitor injury trends. Without this information, trends for fall-related injuries may not be identified by the region. This could increase the risk that Prairie North may not take timely action to address common fall-related injuries across the region.

12. We recommend Prairie North Regional Health Authority establish fall-related injury benchmarks, and once developed, take timely action to address issues identified.

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Chapter 37
Saskatchewan Liquor and Gaming Authority—Managing Projects with Significant IT Components

1.0 MAIN POINTS

Saskatchewan Liquor and Gaming Authority (SLGA) uses information technology (IT) extensively in carrying on its business, and regulating liquor and gaming. It is important that it successfully manage its projects that involve developing new IT systems.

This chapter reports that, for the 12-month period ended July 31, 2015, SLGA's project management processes for its IT-related projects were effective, except for the following.

SLGA needs to give its staff sufficient guidance on determining required skills for projects, and setting quality control requirements (e.g., tests required at each stage of the project). Such guidance would help staff better analyze skills that projects require and for how long; and understand what is expected, by whom, and when. This information, in turn, enables the development of more consistent and reliable estimates of project costs.

SLGA also needs to consistently prepare accurate and complete reports to track and monitor progress of projects, and require management to leave evidence of their review and approval of them. Management needs complete and accurate information to understand the status of projects, and make informed decisions about them.

We make five recommendations to improve SLGA's project management processes.

2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997*,[1] SLGA is responsible for the distribution, management, operation, and regulation of liquor and gaming in Saskatchewan.

At March 2015, SLGA operated a liquor distribution centre in Regina, and 75 liquor stores in 60 communities throughout the province.[2] In addition, it sold alcohol from its distribution centre to partners in the private sector (i.e., four full-line private retail stores, about 180 rural franchises and about 450 off-sale outlets). SLGA regulated all Saskatchewan liquor-permitted premises, issuing over 1,900 commercial liquor permits and 15,200 special occasion permits in 2014-15.[3]

SLGA registers all gaming employees in the province, as well as gaming industry suppliers as required by *The Alcohol and Gaming Regulation Act, 1997*. In 2014-15,

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[1] *The Alcohol and Gaming Regulation Act, 1997*, s.12.

[2] Saskatchewan Liquor and Gaming Authority, *Annual Report 2014-15*, pp. 3, 5.

[3] Commercial permits are for businesses such as restaurants, taverns, clubs, manufacturers, or make-your-own facilities (Saskatchewan Liquor and Gaming Authority, *Commercial Liquor Permittee Policy Manual*, p. I-2; www.slga.gov.sk.ca/Prebuilt/Public/Liquor%20Permittee%20Manual.pdf) (19 May 2015). Special occasion permits are for events such as weddings, cabarets or fundraisers https://www.slga.gov.sk.ca/x3547.xml (19 May 2015).

SLGA registered about 3,300 gaming employees, and about 94 gaming suppliers[4] and issued over 4,100 charitable gaming licenses.[5] As part of its regulation of gaming in the province, SLGA manages the charitable gaming grant program.[6] It also directly manages the majority of the province's 7,500 electronic gaming machines,[7] including video lottery terminals (VLTs) and the slot machines located at First Nations casinos.

SLGA's IT systems impact the delivery of liquor throughout the province, tracking of liquor inventories, and the purchase and sale of liquor. SLGA's IT systems for key regulatory activities include systems related to VLTs and slot machines, and licenses and permits for liquor and gaming activities.

In 2014-15, SLGA spent $7.3 million (capital expenditures) on projects that involved developing new IT systems and expects to spend $8.3 million (capital expenditures) in 2015-16.[8] SLGA is implementing various new IT systems as part of projects such as its regulatory services project and retail operations project. Its Performance Management Division is responsible for managing projects, including projects with significant IT components. As shown in **Figure 1**, these projects vary significantly in scope, complexity, and cost.

Since SLGA started some of these projects, it has revised various aspects of the processes that it uses to manage projects. For example:

- In 2012, SLGA established an Enterprise Portfolio Management Office to lead and facilitate project management.
- In 2013, SLGA established a Portfolio Management Committee as a steering committee over larger projects.
- In 2014, SLGA began implementation of a portfolio lifecycle approach for project management (i.e., sets roles and responsibilities for project management through different stages of projects).
- In January 2015, SLGA established a Project Planning Committee to assist with the development of project business cases.

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[4] Saskatchewan Liquor and Gaming Authority financial and operating records.
[5] Charitable gaming licences are for charitable organizations' fundraising through activities such as bingos, breakopen tickets, or raffle lotteries www.slga.gov.sk.ca/x3551.xml (19 May 2015).
[6] Saskatchewan Liquor and Gaming Authority, *Plan for 2014-15*, p. 3.
[7] Saskatchewan Liquor and Gaming Authority financial and operating records.
[8] Ibid.

Figure 1—Projects with Significant IT Components[a]

Project	General Description	Original Budget [Revised Budget]	Actual Costs Incurred to July 2015	Forecast Total to Complete at July 2015	Start Date	Detailed Planning Completed	Date of Implementation	
			(millions)				Original Planned	Actual / Expected at July 2015
Regulatory Services Project	Replaces old software for licensing, inspection and monitoring of liquor, gaming, and horse racing activities	$5.6 [7.5]	$7.0	$7.8	September 2012	December 2012	November 2013	Fall 2015
Retail Operations Project	Replaces old software for purchasing, transportation, warehousing, pricing, and marketing for beverage alcohol	6.2 [6.9]	7.1	7.1	2010-11	December 2012	February 2014	Stage 1 completed February 2015, Stage 2 – December 2015
Online Services Project	Combines slga.com and saskliquor.com into one website and provides a portal for customers and partners to apply for permits and order alcohol; integrates with regulatory services and retail operations projects	6.3	3.7	6.3	March 2014	March 2014	December 2015	December 2015
PeopleSoft Financials Project	Upgrades financial accounting and reporting system to a current version of software	3.0	--	3.0	NA – business case was draft at July 2015			
Common Entity Oasis Short-Term Action	Determines integration between legacy systems and new regulatory services and retail operations systems	1.5	1.5	1.5	October 2013	October 2013	January 2015	Completed in 2014-15
Total		**$22.6 [25.2]**	**$19.3**	**$25.7**				

Source: SLGA project records.
[a] Shading indicates projects we focused on in our audit.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatchewan Liquor and Gaming Authority's project management processes, for the 12-month period ended July 31, 2015, for its projects with significant IT components.

For this audit, projects with significant IT components means projects that included new IT systems or involved substantial changes to existing IT systems and business processes. We did not examine the processes SLGA used to select new IT systems or determine the need for those new IT systems.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SLGA's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. SLGA's management agreed with the criteria (see **Figure 2**).

In our audit, we interviewed SLGA staff and reviewed related documentation, including plans, reports, and financial records. We examined terms of reference for SLGA's key committees involved in the project management process, and reviewed minutes of their meetings to determine whether key processes operated as intended. We tested a sample of project change requests and project status reports to determine whether SLGA followed its processes.

Figure 2—Audit Criteria

1. **Set framework**
    - 1.1 Set governance structure for projects (oversight, accountability)
    - 1.2 Establish reporting relationships
    - 1.3 Set systems and expectations for information gathering and recording
    - 1.4 Specify requirements for approving changes to projects
2. **Plan projects**
    - 2.1 Plan key attributes for projects (cost, timeframe, human resources, quality)
    - 2.2 Identify resources (e.g., people, financial, physical) required for projects
    - 2.3 Plan to obtain required resources
    - 2.4 Identify, evaluate, and plan to manage project risks
3. **Monitor progress**
    - 3.1 Regularly evaluate time and costs incurred and remaining
    - 3.2 Make adjustments to projects as required (e.g., scope, actions, timelines)
    - 3.3 Regularly report progress
    - 3.4 Report on achievement of objectives
4. **Adjust framework and processes**
    - 4.1 Evaluate project processes and results
    - 4.2 Implement changes based on lessons learned

We concluded that, for the 12-month period ended July 31, 2015, Saskatchewan Liquor and Gaming had, other than for the following areas, effective project management processes for its projects with IT components. SLGA needs to:

- **Give staff guidance to consistently determine required skills for projects and to set quality control requirements**
- **Require documented review and approval of complete and accurate project status reports**
- **Monitor and report on achievement of project objectives**

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Project Management Framework in Place

4.1.1 Clear Governance Structure and Reporting Relationships Established

We expected SLGA to have a governance structure for its projects that clearly set out roles and responsibilities for managing projects, including responsibility for carrying out projects as well as for overall results. We also expected SLGA would have established reporting relationships to keep key project members informed of project status. It would have established processes for gathering and recording project information.

SLGA's Enterprise Portfolio Management Office is part of its Performance Management Division; the Office is responsible for SLGA's project management approach. In June 2014, the Office implemented a portfolio lifecycle approach for project management.[9] In implementing this approach, SLGA set out roles and responsibilities of various committees and positions within SLGA's project management processes as described in **Figure 3**.

We found SLGA clearly defined reporting relationships for managing projects. As shown in **Figure 3**, it had documented roles and responsibility for decisions. SLGA has set clear terms of reference for the Portfolio Management Committee and the Project Planning Committee. These terms of reference clearly set out the responsibilities for each of these committees.

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[9] A portfolio-lifecycle approach involves the centralized management of one or more groups of projects, or portfolios. Management of the portfolios includes identifying, prioritizing, authorizing, managing and controlling the projects as they progress through their stages www.pmi.org/Certification/~/media/PDF/Certifications/PfMP_FAQs_v3.ashx (15 September 2015).

Figure 3—SLGA Committees and Positions Involved in Project Management

SLGA Executive Committee

Responsible for providing strategic direction and managing SLGA's overall operations; ultimately accountable for success of all projects

Enterprise Portfolio Management Office

- Established in 2012. Part of Performance Management Division
- Responsible for making recommendations on project decisions, allocation of funds, and for decisions regarding the direction of projects and change management
- Leads and facilitates the project management process
- Comprised of a director and one manager

Portfolio Management Committee

- Established in 2013 as the steering committee for all larger projects (i.e., projects greater than $500,000) and is responsible for decisions over the project sponsor's threshold (e.g., 25% of contingency funds and scope)
- Approves all analysis and documents leading to project approval, project budgets, and the use of contingency funds
- Comprised of certain members of SLGA Executive Committee and senior management

Project Planning Committee

- Established in January 2015
- Helps develop business cases for projects
- Assists in defining and planning projects, and estimating project costs
- Involved with projects until they are approved and officially begun
- Comprised of representatives from divisions and chaired by the Enterprise Portfolio Management Office

Executive Sponsor

- Responsible for overseeing the project and delivering results (e.g., project within budget, timing, and benefits realized)

Project Sponsor

- Responsible for providing leadership over change to business processes. The Project Sponsor makes decisions for projects within established thresholds (e.g., up to 25% of contingency funds)

Project Manager

- Makes day-to-day decisions regarding project approach, plan, structure, timing, resources, and is tasked with delivery of the project

Source: Provincial Auditor Saskatchewan from SLGA project management records.

SLGA used project charters as a key planning document for each project. **Figure 4** sets out the contents SLGA expects project charters to include. In addition, it used project charters to set out detailed reporting relationships for each project. For example, the regulatory operations project charter required the project manager to give other team members, in addition to the project sponsor, weekly updates on the status of the project, and hold team discussions.

Figure 4—Information Provided in Project Charters

- Project objectives (i.e., what success looks like)
- Project scope (i.e., what is and is not included in the project)
- Who the stakeholders are
- Project approach (e.g., high-level summary of activities to complete project)
- Project structure (e.g., summary of who is responsible for making decisions for project)
- Summary of approach for managing project risks and making changes to the project
- Summary of planned communications amongst team members (e.g., weekly project team meetings)
- Summary of project stages and due dates

Source: SLGA project management records.

In our discussions about reporting relationships and related requirements with the project managers for the regulatory services, retail operations, and online services projects, we determined that they each understood the governance structure for projects and the reporting requirements.

The Enterprise Portfolio Management Office set out a financial and status reporting schedule for project managers to follow. It requires project managers to give project sponsors status reports at the end of each four-week period (i.e., 13 reports each year). **Figure 5** sets out the contents SLGA expects project status reports to include.

Figure 5—Expected Content of Project Status Reports

- Summary of project information (e.g., overview, deliverables, benefits)
- Summary of issues and emerging risks
- Summary of events that occurred during the reporting period and what is expected to occur in the next reporting period
- Project schedule information by project stage: percentage of completion, expected completion date as compared to plan, reasons for variances between planned and updated expectations
- Project financial summary including comparison of budget to total estimated costs, amount of contingency funds used, remaining budget
- Summary and impact of approved change requests including costs of changes

Source: SLGA project management records.

To help identify and track project costs in its accounting records, SLGA assigned unique project codes to each project. SLGA recorded project costs in its accounting and reporting system using these codes. SLGA financial staff prepared financial information two weeks after each period end; use of a two-week window provided financial staff time to enter all information for that period.

4.1.2 Requirements for Approving Changes to Projects Set

We expected SLGA would set requirements (e.g., analysis required, criteria) to approve changes to projects.

Project managers used standard change request templates when requesting changes to projects. The template set out required information and analysis (**Figure 6**). The project sponsor reviews the change request and supporting analysis. The Portfolio Management Committee must approve change requests. The Executive Committee is required to approve change requests depending on the nature of the change (e.g., significant changes to scope, cost). For the three project change requests we examined, from separate projects, we found that the change requests were completed and approved as expected.

Figure 6—Required Information for Project Change Requests

- A description of the change
- Reason for the change (e.g., additional funding required due to technical issues, or to meet system functionality expectations of users)
- The risk of proceeding or not proceeding with the change
- Impacts to project schedule and final product (e.g., project benefits)
- Changes to resources required (e.g., staff hours, costs)
- Assumptions made during the analysis for the change request

Source: SLGA project management records.

4.2 Project Planning Processes Need Improvement

4.2.1 Plans Address Key Project Attributes

We expected SLGA to complete plans for projects after projects were approved. Plans would include planning key attributes of projects. This would include expected costs and labour, stages of projects, planned completion dates, and the requirements of the users of the new system or business process. Project plans would require approval.

SLGA divisions, responsible for business processes impacted by projects, completed business cases to support each project's approval (e.g., Regulatory Services Division for the regulatory services project). After the Portfolio Management Committee and the Executive Committee approved the projects, the responsible division began detailed project planning. As previously noted, the assigned project manager prepared a project charter for each project for the approval of the project sponsor and executive sponsor.

The Enterprise Portfolio Management Office required the use of a standard project charter template. See **Figure 4** for the information included in the project charter. The template requires descriptions of key attributes for projects (e.g., major deliverables, activities, and resources required).

We observed the use of the project charter. We found the regulatory services and retail operations project charters included the following, as expected:

- Approved project budget
- Labour requirements for staff assigned to manage or carry out the project (e.g., the Project Sponsor, Executive Sponsor, Project Manager and requirement for any subject matter experts)
- Project approach (e.g., use of multiple stages), and description of project stages and expected completion dates of each (e.g., an outline of planned dates for the purchasing process, implementation, and transition to the new IT system)
- Detailed user requirements

SLGA required assigned project staff to develop and document business and user requirements. SLGA's processes expect project teams to consult with project stakeholders to determine user requirements through a variety of methods (e.g., one-on-one interviews, surveys, brainstorming, focus groups).

We examined the regulatory services project requirements analysis. We found the analysis appropriately included business and user requirements such as the ability of SLGA to expand the system to manage more customers, and IT requirements (e.g., new system must work with SLGA's existing accounting and reporting system).

4.2.2 Better Guidance for Detailed Planning of Projects Required

We expected SLGA would identify the detailed resources required to complete projects, (e.g., the required skills, financial and physical resources). It would plan to train end users on the new system and related business processes.

SLGA project managers define projects using financial plans, project budgets, and project plans. In **Figure 7**, we describe the results of our examination of these plans for the regulatory services project.

Figure 7—Elements Included in Regulatory Services Project Detailed Project Plans

Financial Plan

- Included a high-level summary of costs on a unit basis (such as staff cost per hour), on a total costs basis (such as software support for servers), and by stages
- Reflected all key attributes of the project such as labour, equipment, licenses, training, suppliers, support and maintenance, and administration
- Included labour costs by hour for both SLGA employees assigned to the project and contractors
- Included cost assumptions (e.g., estimated cost per hour for contractors)
- Included costs for support, maintenance, end user training, and testing

Project Budget

- Provided detailed capital costs and expenses by project stage (e.g., initiation, implementation, and post-implementation support)
- Included an assessment of the number of person days required for each type of resource at each stage of the project (e.g., 20 days would be required by the project owner in the initiation stage)
- Included costs for disaster recovery and software maintenance

Project Plan

- Divided the project into tasks and set out how long each task was expected to take (e.g., 36 days for the project initiation stage)

Source: Provincial Auditor Saskatchewan examination of SLGA project management records.

We found the plans were appropriate except for the following matters. In developing these plans, the project sponsor and manager are expected to assess whether the required skills exist and are available within SLGA. If not, they are to plan to procure external resources and estimate the costs of doing so.

We found that the Enterprise Portfolio Management Office did not give project teams sufficient guidance on consistently determining the skills required during detailed planning of projects. Consistent analysis of the skills that projects require, and for how long, is necessary to support budget decisions. Not having consistent analysis to support budget and hiring decisions increases the risk that project plans may not be accurate and comparable, and that projects may not have appropriate staff.

1. **We recommend Saskatchewan Liquor and Gaming Authority give staff guidance on determining required skills for projects with significant IT components.**

The Enterprise Portfolio Management Office gave project managers guidance on determining which costs are capital in nature[10] or non-capital,[11] and on developing project budgets (e.g., a project-costing checklist listed items for various stages of a project). Such guidance helps project managers consistently consider costs during planning.

Project teams are also to develop quality control requirements (e.g., test plans) for each stage of projects. We found that the Enterprise Portfolio Management Office did not give project teams sufficient guidance on consistently preparing quality control requirements or test plans.

We found the level of detail in the test plans of the retail operations and the regulatory services projects differed significantly between these projects. Each plan included a breakdown of testing at different stages. Each plan noted that for each stage, the project had to meet specified quality criteria (e.g., all outstanding issues resolved or an acceptable workaround found and deemed adequate). The retail operations test plan set out how to set up the tests, provided detail on the objective of the tests, and indicated who was responsible for the tests. The regulatory services test plan did not include this detailed information. Detailed plans clearly define what is expected, by whom, and when; detailed plans also facilitate more reliable estimates of time and cost, and enable better monitoring.

Not giving staff sufficient guidance on preparing quality control requirements such as test plans makes it more likely that significant differences in processes and methods may occur. This increases the risk of inconsistent quality, non-comparable results, and inconsistent estimation of related costs.

2. **We recommend Saskatchewan Liquor and Gaming Authority give staff guidance on setting quality control requirements for projects with significant IT components.**

SLGA required the project teams to develop training plans for users of the new or changed business processes. It provided staff with a training plan template. This template specified: who requires training, what type of training is needed, when the training will take place, and who will deliver the training.

For the regulatory services project's training plan we examined, the plan included the required information. It broke down internal and external users, their training requirements, and the training approach. It also documented the target timeframe for training, who would deliver the courses, and resource requirements (such as classroom space, and estimated costs).

4.2.3 Plans to Obtain Resources Exist

We expected SLGA would plan to obtain the detailed resources it requires (e.g., external expertise, physical resources).

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[10] Costs that are capital in nature are recorded as an asset as they provide benefits over a longer period.
[11] Costs that are non-capital in nature are expensed as incurred.

When approved project plans identified the need for external expertise, project managers are to complete requests for resources. The Enterprise Portfolio Management Office provided staff with a request template. We found this template appropriately required details about the work to be completed, timelines, and skills and experience required. However, as noted earlier, SLGA did not provide guidance to project managers on determining the skills and experience required to complete the project.

To obtain physical resources (such as new servers), SLGA uses its procurement policy. The policy indicated who was authorized to purchase goods, and outlined processes to follow (e.g., obtain quotes from three potential suppliers for purchases between $5,000 and $10,000). We found SLGA complied with its procurement policy.

4.2.4 Project Risks Effectively Identified

Risk management is an essential part of project management processes. We expected SLGA's planning processes would include identifying, evaluating, and managing risks of projects.

SLGA required project managers to complete risk management plans at the onset of projects. The risk management plan is to:

- Provide guidance for how project managers are to identify, track, and analyze risks.
- Guide the development of risk response strategies.
- Document project managers' assignment of risks to a risk category (e.g., technical, external, organizational change), and describe the potential impact of risks. For each risk identified, the probability of occurrence and an impact of risk are assigned a value from 1 to 5, resulting in its overall risk level (maximum of 25).
- Document a risk response (e.g., accept, avoid, mitigate) for each risk and log the status of the risk.

The project managers must identify risks throughout the project. Also, they are responsible for making project sponsors and the Enterprise Portfolio Management Office aware of emerging risks through inclusion in the project status report.

We examined the risk management plans for the regulatory services and retail operations projects. We found each of the risk plans identified and evaluated risks, and documented mitigation strategies consistent with SLGA policies. We also found the related project team regularly monitored and updated the risk plans.

4.3 Project Monitoring Processes Need Improvement

4.3.1 Sufficient Analysis Completed to Make Adjustments to Projects

We expected SLGA would have processes to adjust project plans as required (e.g., scope, actions, timelines) based on analysis and approval.

SLGA's change management processes require the project manager to prepare a change request for any changes to project scope, budget, or schedule. The project manager is to submit the request to the Enterprise Portfolio Management Office before it is presented to the Portfolio Management Committee for review and approval. Significant increases in costs (i.e., decisions exceeding approved budget) require Executive Committee approval after recommendation from the Portfolio Management Committee.

For change requests we tested related to retail operations, regulatory services, and online services projects, SLGA evaluated change requests using the change request template. Project managers analyzed the reasons for changes, their cost, scope, resource impact, and the risks of whether or not to proceed. This was appropriate analysis to support the requests. We also found SLGA sufficiently documented key assumptions (e.g., the availability of certain staff to achieve timelines). The requests appropriately went to Portfolio Management Committee and the Executive Committee for approval.

4.3.2 Consistent Completion and Review of Project Status and Progress Reports Needed

We expected SLGA to require regular evaluation of time and costs incurred and remaining. We also expected SLGA would regularly evaluate progress achieved, meeting of deadlines, risks, and approved changes to projects. We expected it would compare actual and expected costs to budgets. SLGA would use this analysis to regularly report progress of projects to key stakeholders, senior management, and others. We also expected SLGA would require project sponsors to document their review and approval of project status reports prior to submission to the Enterprise Portfolio Management Office.

Project managers are to track actual project costs against budget and include this cost information in project status reports (see **Figure 5**). Project managers receive financial information from SLGA financial staff to complete the cost analysis. SLGA financial staff provided project managers with financial information for their project status reports from SLGA's financial accounting and reporting system.

SLGA's processes required the project managers, project sponsors, and the Enterprise Portfolio Management Office to report progress to key stakeholders on performance, objectives, project risks, schedule, cost variances, and scope changes. Key stakeholders included the Board, Executive Committee, the Portfolio Management Committee, and the project sponsors.

For the project status reports we tested for the retail operations, regulatory services, and online services projects, we found the following:

- Staff had not prepared two project status reports (periods for April 26 – May 23 and June 21 – July 18, 2015) for the regulatory services project.
- Staff had not included key project dates for the regulatory services and retail operations projects. For example, the format of the project status report requires that staff record forecast end dates and actual end dates. Six out of the eleven project status reports we tested did not include these dates. As a result, these

project status reports did not communicate whether projects were expected to take longer than planned.

- Staff did not consistently update the percentage of completion for project stages. For status reports for the retail operations project, we noted that the percentage of completion reported did not change over the 12-month period ended July 31, 2015, even though we noted progress had been made in the project (e.g., the percentage of completion for four stages remained at 100%, 100%, 85%, and 20% throughout the 12-month period).

- Regulatory services and retail operations project status reports did not always summarize approved project change requests and their impact on the project.

- Retail operations, regulatory services, and online services project status reports did not show evidence of the project sponsor's review or approval. We noted SLGA does not require project sponsors to leave evidence of review or approval. Management indicated that project sponsors would follow up with project managers if they did not receive project status reports or observed reports as insufficient or inaccurate.

The Enterprise Portfolio Management Office made changes to the expected format of project status reports (i.e., required use of a standard project status report template) in 2014. We observed some use of the new template. For the online services project status reports that we examined, we found the project managers prepared the project status reports as expected. However, we found project managers did not use the new template in all cases.

Incomplete project status reports increase the risk of management making inappropriate decisions about projects (e.g., not identifying need for corrective action). Not documenting review and approval of project status reports makes it difficult for committees (e.g., Portfolio Management Committee) or staff (e.g., Enterprise Portfolio Management Office) to determine whether project sponsors reviewed the project status reports as expected and approved the content of the reports. Lack of review and approval increases the risk that project status reports will not be complete and accurate, and increases the risk of management making inappropriate decisions.

3. We recommend Saskatchewan Liquor and Gaming Authority follow its processes for preparing complete and accurate project status reports for projects with significant IT components.

4. We recommend Saskatchewan Liquor and Gaming Authority require formal review and approval of project status reports for projects with significant IT components.

From our examination of Portfolio Management Committee and Project Planning Committee minutes, we found that each committee was appropriately involved with project governance and planning, and received regular updates on key projects (although these were subject to the issues noted earlier in this section).

SLGA's Executive Committee received updates periodically throughout the year. These updates were in addition to when the Executive Committee reviewed and approved project change requests. From our examination of Board minutes, we found SLGA gave its Board a high-level update on key projects at least annually.

4.3.3 Report on Achievement of Objectives Needed

We expected SLGA would measure the success of projects (including an assessment of whether it obtained expected benefits) and report on achievement of objectives to key stakeholders and, for large projects, the public.

We found project business cases set out planned objectives (e.g., improved remote and real-time access to data and reporting). However, we found SLGA did not have established processes to track and monitor the achievement of project objectives. Also, project teams did not report on achievement of objectives internally (e.g., to senior management, Executive Committee) or to the public. SLGA provided some information on its projects to the public in its annual report (e.g., on the development and testing of the regulatory services project and timing of final replacement).

Without effective processes for measuring and reporting on achievement of objectives, there is increased risk that SLGA may not obtain benefits that it expected from projects.

5. **We recommend Saskatchewan Liquor and Gaming Authority monitor whether its projects with significant IT components achieved objectives set out in approved business cases and periodically report to its Board and senior management.**

Management plans to develop a framework to enable SLGA to monitor and report on achievement of expected benefits of projects.

4.4 Project Management Processes Reviewed

Setting requirements for periodic review of project management processes and consistent evaluation of lessons learned from completed projects would help SLGA continuously improve its processes. We expected SLGA to periodically review its project management processes. It would evaluate lessons learned from completed projects. Based on lessons learned, it would update its project management framework and processes.

We found SLGA had clearly indicated who is responsible for ongoing evaluation of its project management process.

We found the Enterprise Portfolio Management Office completed "lessons-learned" sessions upon completion of the first stage of the retail operations project (i.e., in February 2015). It held four lessons-learned sessions. These sessions included over 40 participants from across SLGA. It summarized the results of these sessions. Results set out what went well, what needed improvement, and initial solutions to items needing improvement. We found the process to gather feedback was reasonable. The Enterprise

Portfolio Management Office presented these summarized findings to SLGA's Executive Committee in May 2015.

From our review of the lessons-learned report for the retail operations project, we noted it included the need for increased senior management involvement prior to the approval of projects, and better definition of the scope of projects prior to starting projects. The report also noted that clearly-defined projects are essential for developing reliable, quality estimates (e.g., cost, time) before projects begin. We observed management's plan to make changes resulting from these findings.

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Chapter 38
Saskatchewan Polytechnic—Procuring Goods and Services

1.0 MAIN POINTS

Saskatchewan Polytechnic (Sask Polytech) has spent almost $70 million in each of the last few years to buy goods and services. Buying goods and services is complex and can involve significant risks. Using effective processes to procure goods and services helps ensure public sector agencies make purchase decisions in an open and transparent manner, treat suppliers fairly, and use resources wisely.

We examined the effectiveness of Sask Polytech's processes for the procurement of goods and services for the 12-month period ended June 30, 2015. In this chapter, we report that Sask Polytech had effective processes for the procurement of goods and services, except it needs to:

- Update its procurement policy to apply to all purchases, and have its Board of Directors review and approve its policy
- Consistently document the basis for key decisions regarding tenders and for using single- or sole-source procurement methods
- Take steps to do more to enforce compliance with its procurement policy and provide the Board with periodic reporting on significant procurement activities

2.0 INTRODUCTION

Sask Polytech was established, under *The Saskatchewan Polytechnic Act* (Act), as Saskatchewan's primary provider of post-secondary technical education and skills training.[1,2] It operates campuses in Moose Jaw, Prince Albert, Regina, and Saskatoon with a student population of over 17,000 students and approximately 1,600 full-time equivalent staff.[3]

2.1 Overview of Sask Polytechnic Procurement

Under the Act,[4] the Board of Directors has the responsibility to conduct and manage the business and affairs of Sask Polytech, including purchasing necessary goods and services.

Using public resources, Sask Polytech purchases various goods and services throughout the year while carrying out its responsibilities defined in the Act. For example, goods and services purchased include office supplies, furniture, and

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[1] Saskatchewan Institute of Applied Science and Technology, *2013-14 Annual Report*, p. 44.

[2] The Saskatchewan Institute of Applied Science and Technology (SIAST) was established through legislation in 1988 to provide adult career-related education and training. In September 2014, SIAST rebranded itself as Saskatchewan Polytechnic pursuant to the Act.

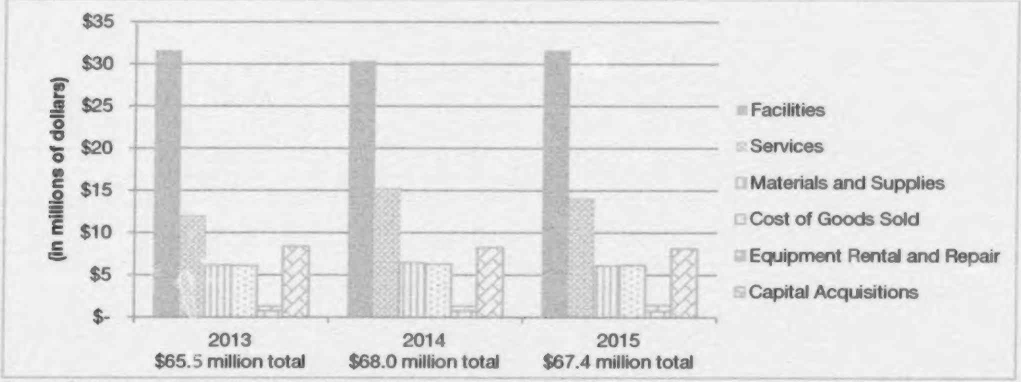
[3] Ibid., pp. 8-9.

[4] Section 8.

equipment (e.g., maintenance, cafeteria). For the year ended June 30, 2015, Sask Polytech spent almost $70 million on goods and services.[5]

Figure 1 shows that in each of the last three years, Sask Polytech's spending on facilities (i.e., rent, repairs and maintenance, security, janitorial), services, materials and supplies, cost of goods sold (i.e., cost of items for resale – textbooks, supplies, food), equipment rental and repairs, and capital acquisitions (i.e., leasehold improvements, furniture, equipment, computers, and software) has remained relatively constant.

Figure 1—Procurement Spending from 2013-2015



Source: Saskatchewan Polytechnic Audited Financial Statements for 2013 to 2015.

Sask Polytech procures goods and services, other than library and bookstore acquisitions, cafeteria purchases, and purchases less than $5,000, through its Procurement Management Department (Procurement Management). To manage procurement, Procurement Management uses purchasing coordinators located at each campus. Each campus buys library, bookstore, and cafeteria items separately.

Buying goods and services can involve significant risks. When public resources are used to acquire goods and services, acquisition processes must be transparent and fair. Transparency and fairness depend on clear communication of needs, articulation of criteria, and unbiased processes for selection of suppliers. Also, Sask Polytech's reputation may be at risk if it does not have transparent and unbiased processes for procuring goods and services.

Furthermore, ineffective competitive processes for procurement can also pose financial risks, which could result in Sask Polytech not obtaining best value for public money in its procurement of goods and services. Alternative procurement methods, such as single- or sole-source[6] procurement and purchase cards, also introduce risks to the process that must be properly evaluated and managed.

Careful management of the above risks is key. To achieve its objectives, Sask Polytech must have effective processes to buy goods and services necessary to deliver its programs.

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[5] Saskatchewan Polytechnic. Audited Financial Statements, June 30, 2015.

[6] Sole source is where there is only one possible supplier. Single source is the use of one of multiple possible suppliers without tendering.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatchewan Polytechnic's processes for the procurement of goods and services for the 12-month period ended June 30, 2015. For the purposes of this audit, the procurement of goods and services did not include the purchases of buildings.[7] To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Sask Polytech's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Sask Polytech's management agreed with the criteria (see **Figure 2**).

We examined Sask Polytech's policies and procedures that relate to the procurement of goods and services. We interviewed staff responsible for procuring goods and services, including procurement management, bookstore management, cafeteria management, and library management. To assess the effectiveness of the processes throughout the audit period, we tested a sample of procurement files, contracts, invoices, and purchase card statements.

Figure 2—Audit Criteria

1. **Set policies for procurement of goods and services**
   - 1.1 Develop and approve policies for procurement of goods and services
   - 1.2 Align policies with externally-imposed requirements (e.g., funding agencies)
   - 1.3 Update policies periodically
   - 1.4 Communicate policies for procurement
   - 1.5 Monitor and report on compliance with policies
2. **Define the need and specifications for required goods and services**
   - 2.1 Define the need in sufficient detail for supplier's and agency's understanding
   - 2.2 Define specifications to encourage open and effective competition
   - 2.3 Specify other requirements (e.g., warranty, delivery, packaging, performance guarantees)
   - 2.4 Use specifications that support government and organization policies
3. **Obtain quotations fairly**
   - 3.1 Identify feasible sources of supply
   - 3.2 Obtain appropriate authorization to initiate purchase (e.g., tenders)
   - 3.3 Give equal and fair treatment to potential suppliers
4. **Select suppliers for required goods and services**
   - 4.1 Evaluate potential suppliers for best value
   - 4.2 Document decision for supplier selection
   - 4.3 Obtain appropriate approval to buy goods and services
   - 4.4 Inform bidders of tender decision
   - 4.5 Obtain written contractual agreements
5. **Manage suppliers**
   - 5.1 Validate suppliers
   - 5.2 Pay suppliers in accordance with written contracts
   - 5.3 Take internal action on performance problems
   - 5.4 Report performance problems to supplier

We concluded that for the 12-month period ended June 30, 2015, Saskatchewan Polytechnic had, other than the following, effective processes for the procurement of goods and services. While Sask Polytech had a policy related to procurement, it needs to make its policy apply to all purchases, and have its Board of Directors review and approve it. Also, Sask Polytech needs to consistently document the basis for key decisions regarding tenders, and using single- or sole-source

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[7] Purchases of buildings for Sask Polytech are tendered and procured through the Ministry of Central Services.

procurement methods. Furthermore, Sask Polytech needs to take steps to do more to enforce compliance with the procurement policy and provide the Board with periodic reporting on significant procurement activities.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) and our key findings along with related recommendations.

4.1 Set Policies for Procurement

4.1.1 Wider Application and Board Approval of Procurement Policies Needed

We expected that Sask Polytech would develop, and the Board would approve, policies for procuring goods and services.

Sask Polytech centrally maintains its policy framework on its website and has a policy governing its procurement activity (procurement policy).[8] The President and Chief Executive Officer (CEO) has approved the procurement policy.

The Board-approved policy on Policy Development and Administration governs Sask Polytech's policy framework. Under this policy, the Board must approve all governance policies that represent high-risk decisions, organizational accountability, or legal requirements. While the CEO has approved the procurement policy, Sask Polytech's Board has not. We found that approval of the procurement policy is inconsistent with Sask Polytech's policy framework as the procurement policy exhibits the characteristics of a governance policy, as defined by the policy framework (i.e., can present significant financial, legal, and reputational risks). As such, the procurement policy should be approved by the Board.

1. **We recommend that Saskatchewan Polytechnic's Board of Directors review and approve its policy related to the procurement of goods and services.**

The procurement policy:

- Indicates that all acquisitions of goods or services must be properly authorized in accordance with Sask Polytech's management authorities grid. The grid specifies the extent of delegated approval authority for assigned positions (e.g., deans are authorized to approve purchases or contracts up to $100,000). The Board approves the management authorities grid.
- Specifies that Procurement Management is responsible for managing all purchasing of goods and services, with the exception of library reference materials (including

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[8] www.saskpolytech.ca/about/about-us/policies.aspx (17 July 2015).

subscriptions to newspapers, magazines, or other periodicals) and items purchased for resale purposes (i.e., bookstore, cafeteria, and ancillary items).

- Provides minimum guidelines regarding tendering and quotation requirements (see **Figure 3**) only for purchases that Procurement Management handles.
- Sets out when it is appropriate for Procurement Management to use sole or single sourcing as a method of procurement (e.g., specialized or custom designed equipment where there is one recognized product leader).

Figure 3—Minimum Tendering and Quotation Requirements

Dollar Threshold	Procurement Method
Up to $5,000	Based on the employee's knowledge of and experience with the supplier, knowledge of last purchase price, or verbal quotation
Between $5,000 and $10,000	Minimum of three verbal quotations
Between $10,000 and $50,000	Minimum of three written quotations
Over $50,000	Public formal competitive bidding process

Source: Saskatchewan Polytechnic's Procurement Policy and Procedure Statement.

Sask Polytech provides staff with purchase cards ("p-cards") for purchases typically less than $1,000. It has a *Purchase Card Procedural Handbook* (P-card Handbook), a procedure document. The P-card Handbook establishes processes to control and monitor p-card purchases. Examples of key processes include establishing programmed transaction limits, approving p-card monthly statements, and outlining details regarding prohibited purchases (e.g., personal purchases, splitting purchases to bypass transaction limits, alcohol, professional contracted services). We found Sask Polytech's procurement policy does not refer to p-cards or the P-card Handbook.

Also, processes for purchasing within the library, bookstore, and cafeteria located at each campus differ from the processes that Procurement Management must use. Except for significant cafeteria equipment purchases processed by Procurement Management, the library, bookstore, and cafeteria at each campus purchased required goods and services directly. In 2014-15, the library, bookstore, and cafeteria purchased about $7.8 million of goods and services. Given the specific nature of the operations of these areas, they deal with a relatively few suppliers. They often use the single- or sole-source procurement method to buy goods in that often these goods (e.g., textbooks or reference materials related to specific courses that Sask Polytech offers) are available from only a few suppliers. We found Sask Polytech does not have a procurement policy guiding the purchasing activities for these areas on campuses.

At June 2015, Sask Polytech was in the process of revising its procurement policy so that it would apply to all staff engaging in purchasing activities, and to all types of goods and services purchased. However, the draft policy did not explicitly address procurement processes relevant to other areas at campuses such as the library, bookstore, or cafeteria or p-cards.

Lack of a procurement policy that explicitly sets out procurement expectations for all types of purchases increases the risk of inconsistent procurement activities between campuses and of purchasing decisions not meeting Board expectations.

2. We recommend that Saskatchewan Polytechnic update its policy related to procuring goods and services so that it applies to all purchases.

4.1.2 Policies Aligned with External Requirements, Updated, and Communicated

We expected Sask Polytech to align its policies with relevant externally-imposed requirements (e.g., New West Partnership Trade Agreement [NWPTA][9]*, Agreement on Internal Trade* [AIT][10]*), periodically update its policies to ensure policies remain current and reflect changing requirements, and communicate its policies to staff.*

We found that the procurement policy appropriately addresses the requirements imposed by both the NWPTA and the AIT.[11]

Also, we found the Board-approved policy on Policy Development and Administration includes specific timeframes for reviewing policies. For example, all policies requiring Board approval are subject to review at least every three years; policies requiring President and CEO approval are subject to review at least every five years. Consistent with this policy, the procurement policy[12] was reviewed within the last five years (i.e., last revision was issued in November 2010) and at June 2015, was under review. Sask Polytech expects to approve a revised procurement policy in late 2015.

We found Sask Polytech uses several means to communicate new and revised policies to staff. First, as noted in **Section 4.1.1**, Sask Polytech maintains all policies on its website. Second, it sends organization-wide emails to students, staff, and Board members on new and revised policies. Third, it requires employees to annually acknowledge that they have read and understand all Sask Polytech policies.

4.1.3 Monitoring and Reporting on Non-Compliance Needed

We expected that Sask Polytech would document its processes for detecting, addressing, and reporting non-compliance with policy. These requirements would keep senior management and the Board informed of significant compliance issues. Its policies would establish processes for identifying and reporting to senior management and the Board other significant performance issues in the procurement process. Reporting would include information on key risks related to the various types of purchasing methods (e.g., tendering, purchase cards, single or sole source).

The procurement policy requires Procurement Management to provide senior management with an annual report of its single- or sole-source purchases exceeding $75,000. Because the procurement policy currently does not include information on library, bookstore or cafeteria single- or sole-source purchases, the report does not include purchases for these areas. As noted in **Section 4.1.1**, we recommend Sask Polytech update its policies so that it applies to all purchases.

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[9] The New West Partnership Trade Agreement (NWPTA) is an accord between the governments of British Columbia, Alberta, and Saskatchewan that creates Canada's largest, barrier-free, interprovincial market.

[10] The Agreement on Internal Trade (AIT) is an intergovernmental agreement between the federal government and the provinces and territories to reduce and eliminate barriers to free movement of people, goods, services, and investments within Canada.

[11] The requirements of the NWPTA differ slightly from those within the AIT. For example, NWPTA requires purchases exceeding $75,000 to be publicly tendered through an electronic tendering system (e.g., the government's tendering system – SaskTenders), and the AIT has a similar requirement for purchases exceeding $100,000.

[12] At June 2015, the Procurement Policy was subject to approval of the President and CEO.

Sask Polytech has processes to detect and address non-compliance with established policies and procedures. For example, we found several instances where Procurement Management identified specific p-card transactions in violation of the guidelines set out in the *Purchase Card Procedural Handbook*. While Procurement Management discusses with staff who violate policies (i.e., verbally, via email), it does not formally track or monitor violations. Also, Procurement Management does not provide senior management, or the Board, with information concerning the nature or extent of non-compliance with purchasing policies or procedures.

Non-compliance with procurement policies may expose Sask Polytech to significant financial, legal, and reputational risks. Formally tracking and monitoring violations and non-compliance would enable Procurement Management to develop a trend analysis. Such analysis would be useful in determining common or recurring matters, identifying training requirements and revisions needed to policies and processes, and determining when to apply disciplinary measures to staff who continue to violate policies (e.g., suspension of an employee's p-card). Also, periodic reporting of significant non-compliance to senior management and the Board would inform them as to the effectiveness of existing procurement policies.

3. **We recommend that Saskatchewan Polytechnic implement procedures to track and monitor instances of non-compliance with procurement policies.**

4. **We recommend that Saskatchewan Polytechnic give the Board of Directors periodic reports on significant non-compliance with procurement policies.**

4.2 Define the Need and Specifications for Required Goods and Services

4.2.1 Confirmation of Purchase Requirements Needed

We expected Sask Polytech to define, in writing, the need, specifications, and relevant requirements for goods and services, and to use specifications that support its policies.

All departments throughout Sask Polytech are responsible for identifying the goods and services they require and confirming the availability of funds in the approved budget for the purchases. The requesting department collaborates with Procurement Management to determine the specifications of the goods or services needed. Procurement Management then uses these specifications to communicate with potential suppliers (e.g., obtaining quotes, public tender).

In some instances, Sask Polytech collaborates with external agencies to buy goods and services. For example, Sask Polytech collaborates with the University of Regina and the University of Saskatchewan when buying office supplies, the University of Regina when buying computers, and the Ministry of Central Services when buying printers.

In 2014-15, Procurement Management issued 18 tenders. For the tenders we examined, the purchase specifications for the good or service were sufficiently detailed; the specifications were not overly restrictive to encourage open and effective competition. For one of the 10 tenders we examined, the tender documentation did not properly identify other requirements (e.g., warranty, delivery) associated with the purchase. For this tender, the requesting department had identified the need for ongoing service and knowledge-sharing associated with purchasing equipment, but Procurement Management did not incorporate these requirements into the tender documentation or ask the requesting department to review the tender package prior to making the tender public/available to suppliers (posting). Having the requesting department review the accuracy and completeness of the requirements set out in the tender prior to its posting reduces the risk of missing or misinterpreted requirements. Missing, incorrect, or unintended requirements in posted tenders increases the risk of making incorrect purchases or incurring additional costs with suppliers to correct the specification of the purchase at a later date. This, in turn, may delay the timing of the receipt of the goods or services.

5. **We recommend that Saskatchewan Polytechnic require requesting departments to confirm the accuracy of tender requirements prior to Saskatchewan Polytechnic making tenders available to suppliers.**

Sask Polytech uses a request for proposal template. This template supports the procurement policy, which specifies the key external requirements (e.g., NWPTA, AIT) other governing laws, and statutory requirements (e.g., Occupational Health and Safety, requirements for hazardous products). For the tenders we tested, staff used and properly completed this template, where applicable.

As noted in **Section 4.1.1**, other than significant cafeteria equipment, the library, bookstore, and cafeteria located at campuses buy goods and services directly. We found their processes to define their purchasing needs varies and is more informal than purchases handled through Procurement Management. For example, staff within each of these areas collaborate with other staff throughout Sask Polytech's campuses to identify required goods and services. Identified goods and services are processed through orders directly managed by these areas. Staff within the library, bookstore, and cafeteria indicated that:

- For the library, program-related support staff determine, through interactions with program leaders and external experts, the library needs of students and make purchases accordingly

- For the bookstore, course instructors identify needs for textbooks; for bookstore gift items, bookstore staff identify what to buy and these are bulk purchased amongst all the campuses based on lowest price

- For the cafeteria, Culinary Arts program staff identify needs to meet menu and course training requirements

4.3 Obtain Quotations Fairly

4.3.1 Feasible Sources of Supply Identified for Certain Purchases

We expected Sask Polytech to identify feasible sources of supply to meet its identified needs in a way that is fair and transparent. We expected Sask Polytech's processes would ensure those initiating purchases obtain authorization consistent with approved policies.

As described in **Section 4.1.1**, Sask Polytech has a procurement policy that describes acceptable procurement methods for the purchases handled by Procurement Management. For the tenders we examined, the procurement methods used were consistent with the policy and were appropriately approved.

However, as described in **Section 4.1.1**, the procurement policy did not apply to the library, bookstore, or cafeteria. Except for significant cafeteria equipment purchases, the purchases associated with these areas were largely single or sole sourced. In **Section 4.3.3**, we indicate that reasons for the use of this procurement method were not documented.

4.3.2 Tendering Information Shared Appropriately

We expected Sask Polytech to establish policies addressing fair and equal treatment of potential suppliers in tender award evaluation. This would involve ensuring that all suppliers receive the same information upon which to base their responses to the tender at the same time. We also expected Sask Polytech to establish a standard tendering time (e.g., suggested minimum time) to allow potential suppliers sufficient time to respond to the tender request.

As noted in **Section 4.1.1**, Sask Polytech's procurement policy describes the procurement method that staff must follow according to the established dollar thresholds for purchases managed by Procurement Management. Procurement Management posts tenders on the government's electronic tendering system; using this system ensures all suppliers receive the same information at the same time.

Sask Polytech posts tenders for a minimum of two weeks. Use of a two-week time period allows potential suppliers sufficient time to respond to the request, and to ask questions that they may have. When suppliers ask questions about a tender, Sask Polytech provides its responses to all suppliers involved to ensure all suppliers continue to receive the same information about the tender.

As described in **Section 4.3.1**, other than significant cafeteria equipment purchases, the purchases associated with the library, bookstore, and cafeteria are largely single or sole sourced. Except for cafeteria equipment purchases, there were no tenders associated with these areas during 2014-15.

4.3.3 Single- and Sole-Source Purchases Not Always Justified

To facilitate the fair and equal treatment of suppliers, we expected Sask Polytech to permit single or sole sourcing only in circumstances where tendering is not feasible or economical. Sask Polytech would provide staff with criteria that outlined permissible circumstances. When single or sole sourcing is used, it would require staff to document the reasons for selecting this method of procurement and seek appropriate approval prior to initiating the purchase.

As described in **Section 4.1.1**, the procurement policy sets out when it is appropriate to use single or sole sourcing as a method of procurement. The policy requires staff to document the reasons for selecting this method and obtain prior approval, using Sask Polytech's *Sole, Single Source Justification Form*, prior to initiating the purchase. For approximately 27% of the single- or sole-source procurement that we examined, staff did not fully complete or use the form. Also, for 20% of the items we tested, staff made the single- or sole-source purchases before obtaining formal approval to use this procurement method.

Obtaining approval of the procurement method prior to purchasing goods or services provides the approver with an opportunity to determine whether the stated reasons for using this method of procurement align with Sask Polytech's procurement policy. Validating such alignment helps ensure Sask Polytech gives all potential suppliers equal and fair treatment, meets its externally-imposed procurement requirements (i.e., AIT, NWPTA), and receives the best value.

6. **We recommend that Saskatchewan Polytechnic enforce its procurement policy over use of the single- or sole-source procurement method.**

The library, bookstore, and cafeteria located at campuses are not required to use, and do not use, Sask Polytech's *Sole, Single Source Justification Form* to document the reasons for their decision to single- and sole-source purchases. Management indicated that given the nature of operations in these areas, it did not track or monitor the nature or extent of these areas' single- and sole-sourced purchases. As such, the annual report of single- or sole-source purchases exceeding $75,000, described in **Section 4.1.3**, does not include these purchases.

In **Section 4.1.1**, we note that the procurement policy does not apply to the library, bookstore, and cafeteria located at campuses; we think that it should.

4.3.4 Purchase Card Processes Need Improvement

We expected Sask Polytech to establish authorization and documentation controls around the use of purchase cards (p-cards).

At June 2015, Sask Polytech had almost 400 p-cards and made over $3 million of purchases using p-cards in 2014-15.

As described in **Section 4.1.1**, Sask Polytech has a *Purchase Card Procedural Handbook* (Handbook) that establishes processes to control and monitor p-card purchases. The Handbook requires Procurement Management to administer the p-card program, including maintaining all related forms (i.e., cardholder applications and agreements). These forms provide evidence of the approval of the use of a p-card, allowable monthly spending, p-card limit of a cardholder, and a cardholder's acknowledgement of responsibilities for the p-card.

For 20% of the related cardholders for the p-card transactions we tested, Procurement Management did not have the signed p-card application, the p-card agreement, or both on file. In the absence of such documents, Sask Polytech may not know if p-card limits for individuals are appropriate or who approved those spending limits. In addition, it does not show whether cardholders were aware of their responsibilities for p-cards.

7. **We recommend that Saskatchewan Polytechnic maintain purchase card applications and cardholder agreements for all issued and active purchase cards.**

Sask Polytech requires supervisors to review and approve cardholders' monthly p-card statements. For two of the p-card statements we tested, senior managers approved their administrative assistants' p-card statements that included purchases (e.g., conferences, hotels, lunches, membership fees) made on behalf of those managers. As such, the senior managers approved their own transactions for these purchases. For example, we found one senior manager that approved about $23,000 of such transactions during 2014-15. While each of these identified transactions appear to be for reasonable business purposes, lack of approval independent of purchase increases the risk of errors and inappropriate transactions.

8. **We recommend that Saskatchewan Polytechnic prohibit managers from approving purchase card statements that include items purchased on their behalf.**

Other than the above-noted items, we found that all other p-card controls were operating effectively during 2014-15.

4.4 Select Suppliers

4.4.1 Documentation Needed For Tender Evaluation

We expected that Sask Polytech would establish tender evaluation criteria and use it to evaluate potential suppliers for best value. We also expected that Sask Polytech would establish a process to obtain appropriate approval from the requesting department for the supplier selected prior to communicating the selection decision to suppliers involved.

The procurement policy includes evaluation criteria required for every tender (e.g., price, quality, environmental impact, social impact). For 30% of the tenders that we examined, Procurement Management did not document its evaluation of the tenders. We found that Sask Polytech does not have a standard form for staff to use to evaluate tenders. Not having a standard form increases the risk that tenders are not evaluated consistently or based on the evaluation criteria. It also increases the risk that the evaluations are not well-documented. Without a consistent and transparent evaluation process, Sask Polytech increases the risk that tender evaluations may not incorporate all evaluation criteria required to make appropriate purchasing decisions. A consistent tender evaluation process would help secure best value for Sask Polytech and ensure it treats suppliers fairly.

9. We recommend that Saskatchewan Polytechnic require the completion of a standard process (e.g., a form) to evaluate tenders.

In 10% of the tenders we examined, Procurement Management obtained written approval of the selected supplier from the requesting department prior to communicating with suppliers. Procurement Management indicated that for the remaining 90% of the tenders, it received verbal approval prior to communication with suppliers but had no documentation to support this. Without documented approval from the requesting department, it is not clear who participated in the tender evaluation process, and who approved the selected supplier. Documentation increases transparency and allows for ready review of the basis for the supplier selection decision.

10. We recommend that Saskatchewan Polytechnic require written approval of the selection of suppliers following evaluation of tenders.

We found that Procurement Management's communication with suppliers was inconsistent. About 20% of the tenders we examined did not have evidence of award or rejection letters sent to suppliers. Formal communication of tender results allows for fair and consistent treatment of suppliers, and provides suppliers with an opportunity to ask and understand why they were not successful in the tender.

11. We recommend that Saskatchewan Polytechnic formally communicate the results of tenders to all suppliers who responded to tender requests.

4.4.2 Process for Contractual Agreements Needed

We expected that Sask Polytech would set minimum requirements for when it expects staff to enter into a written contract when purchasing goods or services (e.g., dollar thresholds, timeframe, nature of purchase). Also, it would set out the minimum provisions to include in contracts (e.g., use a standard contract template). The contracts would outline the obligations of each party to the contract and reflect the identified needs of Sask Polytech.

Sask Polytech uses electronic web requisitions to initiate the purchase of goods and services from selected suppliers. An authorized staff member from the requesting department must approve the web requisition in accordance with the Sask Polytech management authorities grid. Procurement Management creates purchase orders for all properly approved web requisitions.

Sask Polytech uses contracts for procurement, depending on the nature of the goods or services purchased. However, Sask Polytech does not have documentation specifying when use of a contract, as opposed to a purchase order, is required when buying goods or services.

Sask Polytech uses a contract template that includes typical clauses (e.g., payment terms, confidentiality, conflict of interest, termination) for contracts involving the procurement of services. However, it does not have a contract template for procuring goods.

We found that Sask Polytech does not have written guidance to help staff decide when to use a contract and when a contract would require a legal review.[13] Such processes would ensure consistent contracting processes across Sask Polytech.

12. We recommend that Saskatchewan Polytechnic establish contract requirements for procuring goods and services.

4.5 Manage Suppliers

4.5.1 Periodic Review of Financial System Access Needed

We expected Sask Polytech to have a process to verify the validity (i.e., existence, ownership) of suppliers, maintain records of approved suppliers, and sufficiently restrict access to create or edit supplier records (e.g., name, address) within the electronic financial system. We expected it would keep the ability to create, edit, and remove the names and details of suppliers from the financial system separate from the ability to initiate, approve, or record purchases and payables.

Sask Polytech has established processes to restrict the creation of new supplier records within its financial system to only staff that require such access for business reasons. Our review of a user access report that detailed the staff with access to change supplier records within the financial system found the following examples of inappropriate or unneeded access:

- 10 Financial Services staff with access to change supplier information who did not have responsibilities or duties to make this access necessary
- One Financial Services staff member with access to create suppliers within the financial system who did not have responsibilities or duties to make this access necessary

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[13] A legal review of a contract is a lawyer's review of the contract to determine whether the provisions of the contract appropriately mitigates risks to the organization and assigns responsibilities to each party to the contract as intended.

- One former Financial Services staff member with access to create suppliers who transferred to another department several years prior

While none of the identified staff with inappropriate access had the ability to process payments to suppliers, some of these staff had authority to approve payments to suppliers. An individual having both the authority to approve payments and ability to make changes to supplier records increases the risk of irregularity or fraudulent payments.

13. We recommend that Saskatchewan Polytechnic periodically confirm that existing users with access to make changes to supplier records within the financial system remains appropriate.

4.5.2 Suppliers Paid Appropriately

We expected Sask Polytech to confirm goods and services were received consistent with the related contract before paying the supplier (i.e., documenting receipt of goods or services). We also expected Sask Polytech to only pay suppliers in accordance with the terms and conditions associated with purchases (i.e., contract, purchase order, invoice).

Financial Services processes payments to suppliers after it matches invoices to properly approved purchase orders and has verified the receipt of goods and services. Information captured within its financial system facilitates this process.

For the supplier invoices we examined, we found evidence the items were appropriately received, approved, and paid in accordance with the contract, invoice, or purchase order.

4.5.3 Supplier Performance Problems Handled

We expected Sask Polytech to track the performance of suppliers, which would be used to inform future purchasing decisions. We also expected Sask Polytech to establish a process to take internal action on identified supplier performance issues and report issues to suppliers. We also expected Sask Polytech to provide senior management and the Board with key information on supplier non-performance.

While Sask Polytech does not formally track the performance of its suppliers, it has processes to escalate issues concerning the performance of suppliers to Procurement Management. Procurement Management is responsible for addressing performance issues with suppliers for purchases it handles. Similar processes also exist within the library, bookstore, and cafeteria located on campuses for purchases they directly make. We did not identify any significant supplier performance issues during our audit or through discussion with Sask Polytech management. Staff indicated that most performance issues with suppliers are readily resolved, and significant non-performance issues are infrequent.

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Chapter 39
Social Services—Minimizing Absenteeism

1.0 MAIN POINTS

Effective processes to minimize employee absenteeism supports effective service delivery to the public, minimizes costs, and supports the well-being of public sector employees. In 2014-15, the Ministry of Social Services (Ministry or Social Services) had the second highest sick leave usage among ministries with an average of 10.70 days per full-time employee. The Ministry's 2014-15 paid sick leave equated to $5.6 million. Employee absenteeism due to sick leave can also impact the Ministry's ability to deliver services to vulnerable citizens.

This chapter reports the results of our audit of the Ministry's processes to minimize its employees' absenteeism. For the 12-month period ended August 31, 2015, the Ministry's processes to minimize employee absenteeism were not effective. The Ministry needs to train staff on attendance management, determine the causes for employee absenteeism, and develop targeted strategies to address those causes. Also, senior management needs to receive periodic reports on the effectiveness of attendance management strategies. At August 2015, the Ministry was starting to develop plans to address these areas.

We encourage other ministries to assess the effectiveness of their processes to minimize employee absenteeism.

2.0 INTRODUCTION

Absenteeism rates for employees in the public sector differ from those in the private sector. In 2012, full-time workers in the Canadian public sector took 12.4 days off on average while Canadian private sector employees took 8.3 days.[1] While the drivers and predictors contributing to the increased employee absenteeism rates in the public sector are complex, managing absenteeism remains a key component of maintaining effective service delivery to the public in a cost efficient manner.

Under *The Saskatchewan Employment Act*, employers have a general duty to "ensure, insofar as is reasonably practicable, the health, safety and welfare at work of all of the employer's workers." The Public Service Commission (PSC), as the central human resource agency for ministries, provides ministries with guidance on managing absenteeism (e.g., an Attendance Support Policy). The responsibility to minimize employee absenteeism rests with individual ministries such as the Ministry of Social Services.

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[1] www.statcan.gc.ca/pub/75-006-x/2013001/article/11862-eng.htm (16 June 2015).

2.1 Absenteeism in the Ministry of Social Services

At March 31, 2015, the Ministry had the second largest number of employees across ministries with a full-time equivalent (FTE)[2] staff complement of 1,852[3] and payroll expenditures of $118 million.[4] At March 2015, it had approximately 220 out-of-scope staff (non-unionized); its remaining staff are within scope (in-scope, unionized).

Average sick leave usage per FTE varies across ministries. In 2014-15, the average usage of sick leave across ministries was 9.82 days. Sick leave usage ranged from a low of 6.81 days (Executive Council) to a high of 11.82 days (Ministry of Justice). In 2014-15, Social Services was the ministry with the second highest sick leave usage of 10.70 days (2013-14: 10.63 days). The Ministry's 2014-15 paid sick leave equated to $5.6 million.[5]

Excessive absenteeism increases costs, both direct and indirect, of delivering programs and providing service. If not managed well, absenteeism can lead to significant direct costs in the form of:

- Wages paid to absent workers
- Costs to replace workers (i.e., overtime pay for other employees and/or use of temporary staff)
- Administrative costs of managing absenteeism[6]

Studies report that employees delivering human services are often subject to elevated stress levels related to work activities.[7] Social Services' staff provide human services. PSC's attendance support information (see shaded row in **Figure 1**) indicated that on average, over the past four fiscal years, employees of the ministries working in human services took 96 hours or 12 days of sick leave annually.[8]

Figure 1—Peer Average Summary by Occupation Family for Fiscal 2014-15

Job Family	Peer Average (Illness Hours by FTE)
Program Consultation	56
Finance and Revenue	65
General Operations	71
Human Services	96
Instructional	85
Program Support	79
Inspection and Regulatory	64
Science and Technology	68
Building and Shop Trades	75
All Out-of-Scope	49

Source: Public Service Commission Attendance Support website.

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[2] Full-time equivalent employee.
[3] Ministry of Social Services, *2014-15 Annual Report*, p. 19.
[4] Amount provided by the Ministry of Social Services.
[5] Amount provided by the Ministry of Social Services.
[6] www.forbes.com/sites/investopedia/2013/07/10/the-causes-and-costs-of-absenteeism-in-the-workplace/ (19 June 2015).
[7] www.mentalhealthworks.ca/media/burnout (18 June 2015).
[8] Excluding medical appointments, pending insurance, and family and pressing necessity leave. Includes both paid and unpaid sick leave reported as illness.

Many Social Services staff work directly with vulnerable citizens and their families. Social Services staff deliver programs that support vulnerable citizens as they work to build better lives for themselves through economic independence, strong families and strong community organizations. Employee absenteeism can impact the Ministry's ability to deliver services to these vulnerable citizens. If not managed well, absenteeism can lead to significant indirect costs such as:

- Adversely impacting service delivery resulting from worker fatigue, understaffing, or lack of continuity of staff
- Safety issues (e.g., no coverage provided to vulnerable persons, inadequately trained employees filling in for others, rushing to catch up after arriving as a replacement)
- Poor morale among employees who must "fill in" or do extra work to cover absent employees[9]

The public expects governments to use resources wisely. An effective process to manage absenteeism contributes to effective service delivery to the public, minimizes costs, and supports the well-being of public sector employees.

3.0 AUDIT CONCLUSIONS AND SCOPE

The objective of this audit was to assess the effectiveness of the Ministry of Social Services' processes to minimize employee absenteeism for the 12-month period from September 1, 2014 to August 31, 2015.

For the purposes of this audit, "absenteeism" includes unscheduled paid absences from work, either for short or long periods. This includes types of non-culpable (innocent) absenteeism[10] such as illness, family leave, pressing necessity, disability, and injuries not covered by worker's compensation as well as culpable (blameworthy) absenteeism[11] such as a false explanation for absence from work.

We examined the Ministry's policies related to attendance management, PSC's policies and guidelines, documents related to training courses, sick leave reports, attendance support guidelines, and other relevant documents. We also interviewed a sample of managers and supervisors (supervisors) throughout the Ministry.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. **Section 5.0** includes key sources for these criteria. Management agreed with these criteria (see **Figure 2**).

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[9] www.mentalhealthworks.ca/media/burnout (18 June 2015).

[10] Public Service Commission defines non-culpable (innocent) absenteeism as the consistent inability of an employee to attend work on a regular basis due to circumstances beyond the employee's control. In this kind of absenteeism, the employee has a bona fide reason for absence such as illness or personal problems.

[11] Public Service Commission defines culpable (blameworthy) absenteeism as an absence for which the employee will be held responsible as the absences are within the employee's power to address and correct. Examples include, but are not limited to: failure to report to work, failure to provide adequate notice, failure to provide adequate explanation for absence, providing a false explanation for absence, calling in sick to work at another job, and tardiness.

Figure 2—Audit Criteria

1. **Apply policies for employee attendance at work**
    1.1 Have expectations for employee attendance
    1.2 Maintain attendance management strategies
    1.3 Define roles and responsibilities
    1.4 Communicate expectations and policies
    1.5 Provide adequate training to supervisors
2. **Address patterns of absenteeism**
    2.1 Track absences and analyze trends
    2.2 Address disruption in services (e.g., backfill employees to provide coverage)
    2.3 Maintain documentation where absenteeism issues have been identified
    2.4 Take timely action on absenteeism issues
3. **Implement strategies to support employee attendance at work**
    3.1 Support disability prevention
    3.2 Provide wellness programs and supports
    3.3 Provide stay-at-work programs (e.g., modified work arrangements)
    3.4 Provide accommodation/return to work programs
4. **Monitor performance related to attendance management**
    4.1 Collect key absenteeism information
    4.2 Assess results against absenteeism performance benchmarks
    4.3 Report key absenteeism performance indicators to senior management

We concluded that, for the 12-month period ended August 31, 2015, the Ministry of Social Services did not have effective processes to minimize employee absenteeism. The Ministry of Social Services needs to:

- **Train staff on attendance management**
- **Determine the causes for employee absenteeism**
- **Develop targeted strategies to address those causes**
- **Give senior management periodic reports on the effectiveness of attendance management strategies**

As noted in the findings below, the Ministry has developed a 2015-16 action plan to reduce employee sick leave, which identifies the need to build awareness, improve data analysis, and develop targeted plans for addressing above average sick leave.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Improved Training Needed on Attendance Management

We expected that the Ministry would clearly communicate expectations for employee attendance (e.g., provide definitions for culpable and non-culpable absences). Attendance management policies would outline roles and responsibilities and include strategies to address absenteeism (e.g., process for addressing excessive absenteeism). We also expected supervisors would be trained on how to apply attendance management policies.

According to *The Public Service Regulations, 1999*, and the collective agreement (that applies to the unionized employees of the Ministry), a probationary or permanent employee of the Ministry with three or more months' continuous service is entitled to 15 working days of sick leave with pay at the beginning of each fiscal year. If an employee does not use all of their sick leave, the employee carries over the remaining number of days to the next fiscal year for any future sick leave. An employee's supervisor may require the employee to provide a medical certificate (i.e., doctor's note) before approving paid sick leave. Using information from the Ministry's payroll system, we found there were 288 employees with 15 or more days of sick leave in 2014-15.

We found enterprise-wide government (e.g., ministries) has set a target of 9 days of sick leave per full-time equivalent employee (FTE) for the 2015-16 fiscal year. At the end of fiscal 2014-15, as previously noted, the Ministry's actual average sick leave usage per FTE was 10.70 days. There is a ministry-wide initiative to reduce sick leave across ministries to 7 days of sick leave per FTE by 2018. The Ministry has adopted the government-wide target of 7 days of sick leave per FTE by 2018. The Ministry communicated this target expectation to ministry supervisors at a management forum in spring 2015.

The Ministry has identified this reduction in sick leave as a key performance initiative. As a result, the Ministry developed a 2015-16 action plan to reduce employee sick leave. Planned actions include building awareness among supervisors and employees, using data analysis to identify areas with above average sick leave utilization, and developing targeted plans for areas with above average sick leave utilization.

As part of its *Human Resource Manual* (HRM), PSC has established policies and guidelines for managing employee attendance. HRM is available to all Government of Saskatchewan employees and to the public.[12] PSC policies and guidelines are intended to assist supervisors with daily human resource management activities. The Ministry expects its staff to follow these central policies and guidelines to support its attendance management.

Also, as part of the HRM, PSC has established an attendance support policy for employees of all ministries. As summarized in **Figure 3**, the policy sets out roles and responsibilities of various groups involved in supporting employee attendance at work (i.e., supervisors and management, human resources, union, and employees). The policy also defines "innocent" and "blameworthy" absenteeism.

Figure 3—Roles/Responsibilities Outlined in PSC's Attendance Support Policy

Group	Key Responsibilities
Employees	Maintain health and well-being so as to ensure regular attendance at work Provide reasons for absence, tardiness, or leaving early Notify their manager/supervisor as soon as possible when there is a reason to be absent from work Maintain communication with their manager/supervisor or designate while absent (especially important when the employee is unable to return to work and the estimated length of illness is unknown) Attend personal affairs and obligations on their own time, to the extent possible and in accordance with the terms and conditions of the collective agreement (where applicable)

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[12] www.publications.gov.sk.ca/details.cfm?p=10842 (28 September 2015).

Group	Key Responsibilities
Supervisors & Management	- Communicate expected standards and obligations - Communicate the protocol for advising of absenteeism in the workplace - Provide support and assistance when deemed necessary (e.g. Employee and Family Assistance Program, exploring workplace arrangements that are mutually beneficial) - Monitor levels of sick leave usage on a regular basis in their work units and take appropriate and timely action to correct absenteeism issues - Ensure employees are aware of patterns of usage, should an issue of absenteeism be observed - Maintain concise and objective written documentation where absenteeism issues have been identified - Discuss and resolve issues regarding attendance with employees. In the case of extended absence, the manager/supervisor will take reasonable steps to maintain contact with the employee during absence
Human Resources	- Provide advice to managers/supervisors on the provisions and procedures of the attendance management policy - Work with managers/supervisors to identify the source of employee's attendance issues, determine available resources and facilitate return to work programs or reasonable accommodation - Provide advice on human rights, *The Labour Standards Act* and regulations, *The Public Service Act* and regulations, collective agreement provisions, and policy interpretations where applicable
Union	- Foster a workplace culture that supports the health and well-being of all employees

Source: Adapted from PSC's Attendance Support Policy (section: PS 817).

The Client Services Agreement between the Ministry and PSC further defines the roles and responsibilities for payroll and human resource services for the Ministry and PSC. Under the agreement, PSC is responsible for providing advice and support to supervisors on attendance management issues, whereas the Ministry is responsible for managing employee performance, along with establishing and communicating employee performance expectations.

The Ministry may also utilize various attendance management strategies to assist employees to stay at work as outlined in the HRM. These include the following areas:

- Employment accommodation – accommodating employees to stay at work while experiencing limitations and managing symptoms of an illness or injury

- Variable work hours/job sharing – allowing employees to reduce their hours of work

- Telework – allowing employees to work from alternate locations

- Employee and family assistance program – a program designed to assist employees with personal problems affecting job performance

- Corrective discipline – sets out a process for correcting employee misconduct

PSC develops training for Ministry supervisors and employees, including attendance management training. New employees of the Ministry receive orientation training that includes coverage of the attendance management policy.

PSC also has a learning catalogue that offers a list of training sessions, available both in-person and on-line. These training sessions include information on employee attendance. We found very few Ministry employees we tested were aware of and accessed the online training opportunities related to employee attendance. For example, only 11 Ministry employees took attendance policy e-learning training in 2014-15.

For supervisors we interviewed, we found that supervisors were only generally aware of PSC's policies, and sometimes utilized the various attendance management strategies (e.g., referred employees to the employee and family assistance program). For example, we found, contrary to policy, two instances where supervisors allowed employees to record absences due to family leave as sick leave in situations where employees had used up their available entitlements for family leave. Also, we found none of the 14 employees we tested with excessive absenteeism (i.e., over 15 days of sick leave without extended illness cited as a cause in 2014-15) had a formal meeting with their supervisors. Attendance support guidelines suggest meetings with such employees, followed up by written communication to those employees. Written communication provides documented expectations when attendance needs improvement.

Training promotes understanding of attendance management expectations, provides guidance to supervisors to address absenteeism issues, and can increase awareness of programs and supports available to manage employee absenteeism. Awareness helps support a culture of attendance and compliance with policies.

1. **We recommend that the Ministry of Social Services actively encourage supervisors to take available attendance management training and monitor participation.**

4.2 Identification of Causes of Absenteeism Needed

We expected that the Ministry would have a system for tracking absences of employees, determining causes of absences, and analyzing trends (e.g., to identify work units experiencing chronic or excessive absenteeism). Where absenteeism issues were identified, documentation would be maintained and timely action taken. We also expected the Ministry would mitigate disruption in services as a result of absent employees.

We found supervisors used varying means to track absences among their staff. While all supervisors could obtain their employees' entitlement reports[13] from the Ministry's payroll system, we found most did not obtain or review these reports with sufficient frequency to enable them to track absences or determine how best to manage them on a timely basis. We found the frequency of review of these reports ranged from bi-weekly to annually with most supervisors obtaining and reviewing them on a quarterly basis. Regular review is necessary given the Ministry had 692 employees with 10 or more days of sick leave in 2014-15 (extracted from the Ministry payroll system).

About one-quarter of the supervisors we interviewed used other means, such as tracking employees' absences on a spreadsheet, paper calendar, or day planner; this allowed these supervisors to observe trends. Most supervisors we interviewed were aware of specific reasons for their employees' absences and had obtained documentation, such as doctor's notes, from their employees for more extended absences (e.g., absent for more than a week). However, we found four supervisors had limited interaction with their employee(s) that had taken a higher than average amount of sick leave (i.e., greater than 10 days in 2014-15 without extended illness) to determine causes. Without identifying employee absenteeism issues, supervisors are unable to address the issues in a timely manner.

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[13] An entitlement report outlines leave carried over, earned and taken by an employee, including sick leave, vacation leave, family leave, and leave for pressing necessity.

In 2015, the Ministry and PSC started to develop a method of analyzing absenteeism patterns (i.e., trends). For example, PSC began preparing and distributing absenteeism reports from the payroll system to supervisors in June 2015. These reports identified employees with more than 10 days of sick leave in 2014-15, which days of the week (e.g., Monday-Friday) absences occurred, and the total numbers of days absent. However, we found that not all of the supervisors we interviewed had seen this report as of August 31, 2015.

Not receiving timely information on employees with higher than average sick leave reduces the opportunity for supervisors to take timely action to reduce future absences.

2. **We recommend that the Ministry of Social Services give all supervisors quarterly reports that identify employees with higher than average sick leave to help them determine the reasons for such absences.**

Determining causes of absences would enable analysis of these causes at work unit levels and in turn, assist in the development of actions to reduce employee absenteeism. Without sufficient information on absenteeism causes, the Ministry cannot develop targeted attendance management strategies to address the causes identified or know whether its existing programs are sufficient.

3. **We recommend that the Ministry of Social Services, working with the Public Service Commission, develop targeted strategies to manage employee absenteeism based on an analysis of the causes for absenteeism.**

To minimize disruption of services, we found the Ministry assessed whether to backfill longer-term employee absences on a case-by-case basis. For four out of seven employees with extended absences we tested, the Ministry backfilled the positions of employees on leave. In these cases, the Ministry paid for a temporary employee while also paying for the employee on sick leave.

We also found the Ministry managed absences without extended illness through vacancy management. Vacancy management is where co-workers generally provide coverage for employees absent for shorter periods of time spaced intermittently throughout the year.

4.3 Determine Strategies to Address Causes of Absenteeism

We expected that the Ministry would:

- *Support disability prevention*
- *Provide wellness programs and supports*
- *Provide stay-at-work programs (e.g., modified work arrangements)*
- *Provide accommodation/return to work programs*

The Ministry supports disability prevention programs through its Occupational Health and Safety committees (OH&S) and Employee and Family Assistance Programs (EFAP). EFAP is a confidential and voluntary program offered through PSC. Employees can self-refer to EFAP. Workplace supervisors or human resource management can also refer them to EFAP. The Ministry also implemented a Safety Improvement Plan, which was developed in 2014. The Plan focuses on: slips, trips, and falls, physical exertion, and safety training. The Ministry logs critical work incidents; it develops and monitors action plans to prevent future incidents from occurring and causing injury.

In 2014, the Ministry also developed a Culture Committee consisting of Ministry staff located throughout the province. The Culture Committee identified the following key areas of focus: employee recognition, communication, retention, innovation, and workload pressures.[14]

The Ministry provides its staff with benefits available to Saskatchewan government ministry staff. For example, the Ministry, consistent with PSC policies, provides a Flex Benefit Spending Account to its out-of-scope employees to help promote physical activity.[15] Also, Public Employees Benefits Agency managed extended health benefits (i.e., prescription medication, eye exams, various health practitioners including physiotherapist, psychologist, massage therapist) are available to eligible employees.

In addition, we found some areas within the Ministry had developed wellness committees in their program area or physical location.

We noted that the Ministry can, on a case-by-case basis, provide modified work arrangements and employment accommodations that allow employees to stay at work when they might otherwise need to take a leave of absence. Supervisors can work with their assigned PSC human resource consultants and the related employee to create a modified work arrangement for the employee.

However, supervisors we tested indicated that they did not readily consider the use of modified work arrangements. They tended to accept employees would be absent from work for the period their doctors indicated, in writing, rather than developing options to keep them working (e.g., from home or on a part-time basis).

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[14] Ministry of Social Services, *Annual Report for 2014-15*, p. 17.

[15] Physical activity improves wellness, contributes to reduce absenteeism, and reduces the cost of health benefits. www.cs.gov.sk.ca/1205FlexInfo (18 September 2015).

Management indicated the Ministry is aware that it must do more in terms of developing modified work arrangements and employment accommodations. At September 15, 2015, the Ministry was in the process of hiring a Disability Management Consultant. Management expects this position to provide support and consultation to supervisors in developing modified work arrangements and employment accommodations for ill or injured workers.

As noted in **Section 4.2**, the Ministry did not collect and analyze sufficient information relating to underlying causes of absenteeism. While the Ministry has a number of programs to support employee attendance at work, without assessing underlying causes of absenteeism, it does not know whether its existing programs are sufficient. Lack of this information increases the risk the Ministry will not reduce the extent of sick leave its staff take.

4.4 Monitoring of Attendance Management Strategies Needed

We expected that the Ministry would collect key absenteeism information and then assess this information against a performance benchmark. Senior management would also receive a report on absenteeism performance.

Senior management received monthly updates about the status of achieving its 2015-16 action plan to reduce employee absenteeism. Their August 2015 update indicated PSC had developed a toolkit to support supervisors in their roles and new attendance data reports. However, as noted in **Section 4.2**, not all of the Ministry's supervisors had received these reports as of August 31, 2015.

Ministry supervisors received (usually quarterly) employees' entitlement reports that outlined total sick leave taken to date. Assistant Deputy Ministers received, on a quarterly basis, sick leave reports. Its Executive Committee[16] received quarterly workforce indicators reports; these reports included actual average sick leave days per FTE by division as compared to the average sick leave usage target. The first quarter report for 2015-16 indicated actual 10.33 days of sick leave per FTE as compared to its target of 9 days per FTE. The reports did not include reasons as to why the target was not met.

As previously noted, sufficient information is necessary to enable the Ministry to develop targeted attendance management strategies to address the causes of absenteeism. Senior management's receipt of regular progress reports on this effectiveness would help them understand causes for employee absenteeism and whether the Ministry's actions were effectively reducing absenteeism.

4. **We recommend that the Ministry of Social Services give senior management periodic reports on the effectiveness of its attendance management strategies, including detailed analysis of the results.**

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[16] The members of the Executive Committee are the Deputy Minister (Chair), Assistant Deputy Ministers, Director of Executive Planning and Operations, Executive Directors of Finance and Property Management, HR, and Strategic Policy, and the Director of Communications.

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Chapter 40
St. Paul's Roman Catholic School Division No. 20—Promoting Good Student Health and Physical Fitness

1.0 MAIN POINTS

Under *The Education Act, 1995*, boards of school divisions are responsible for the administration and management of schools, with oversight from the Ministry of Education. The Act specifies that schools are to provide for "instruction and activities to promote the good health and physical fitness" of students.[1] The Education sector strategic plan includes the following as a statement of strategic intent for students: "I am ready to learn—I am safe, healthy and hopeful."[2] Good student health and physical fitness directly supports this strategic intent.

This chapter reports, for the 12-month period ending June 30, 2015, St. Paul's Roman Catholic Separate School Division No. 20 (GSCS) had effective processes to promote good student health and physical fitness, except it needs to:

- Set and communicate its expectations for promoting student physical activity
- Provide principals with criteria to help guide school-level decisions on student health and physical fitness initiatives
- Monitor partnerships and community relationships related to student health and physical fitness initiatives
- Report to its Board on the performance of its student health and physical fitness initiatives

In addition, GSCS needs to review and update its policies on a regular basis.

We encourage other school divisions to use the information in this chapter to assess their own processes to promote good student health and physical fitness.

2.0 INTRODUCTION

Promoting good health and physical fitness in schools is important for improving health and education outcomes,[3] and ultimately contributing to achieving the Government of Saskatchewan's goal of securing a better quality of life for Saskatchewan people.[4]

Research indicates that students who are physically active and properly nourished are better learners.[5] Healthy diets and physical activity are well-established factors that reduce the risk of obesity, heart disease, stroke, cancer, and diabetes.[6] Additional benefits of a healthy lifestyle include:

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[1] *The Education Act, 1995*, section 188.

[2] http://education.gov.sk.ca/educations-strategic-sector-plan-matrix-2014-2020 (4 May 2015).

[3] Government of Saskatchewan, *Saskatchewan Plan for Growth: Vision 2020 and Beyond*, p. 29.

[4] Ibid., p. 2.

[5] Veuglers and Schwartz, *Comprehensive School Health in Canada*, in Canadian Journal of Public Health, *Supportive Environments for Learning: Healthy Eating and Physical Activity within Comprehensive School Health*, July/August 2010, p. s 7.

- Decreased behavioral problems
- Increased ability to focus
- Increased self-esteem and positive mental health
- Increased social connection[7]

Promoting and supporting the healthy growth and development of children and youth is a shared responsibility among family, school, and other agencies. Schools serve as an important access point for nutrition, education, healthy eating practices, and the modeling of healthy lifestyles.[8]

Boards of school divisions are responsible for exercising general supervision and control over the schools in the school division, and approving administrative procedures for the internal organization, management, and supervision of schools. *The Education Act, 1995* (Act) states: "Every school shall make provision for instruction and activities to promote the good health and physical fitness of its pupils."[9]

2.1 Ministry Guidelines for Promoting Nutrition and Physical Activity

The Ministry of Education is a member of the Pan Canadian Joint Consortium for School Health. This is a partnership of 25 Ministries of Health and Education across Canada working to promote a comprehensive school health approach to student wellness and achievement.[10] Comprehensive school health is "an internationally recognized framework for supporting improvements in students' educational outcomes while addressing school health in a planned, integrated and holistic way."[11] The approach encompasses the entire school environment with actions addressing four inter-related pillars (see **Figure 1**).[12]

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[6] Candelas, Armstrong, and Xuereb, *Diet and Physical Activity in Schools: Perspectives from the Implementation of the WHO Global Strategy on Diet, Physical Activity and Health*, in Canadian Journal of Public Health, *Supportive Environments for Learning: Healthy Eating and Physical Activity within Comprehensive School Health*, July/August 2010 p. S 28.

[7] Joint Consortium for School Health, *Physical activity within a Comprehensive School Health Model: School Policy Makers' Toolkit*, (2009), p. 4.

[8] Saskatchewan Ministry of Education, *Nourishing Minds—Towards Comprehensive School Community Health: Nutrition Policy Development in Saskatchewan Schools* (2012), p. 3.

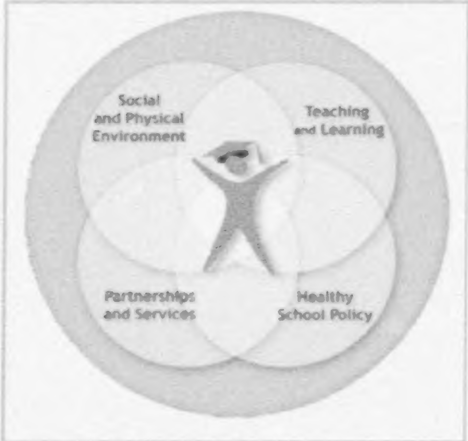
[9] Section 188 of *The Education Act, 1995*.

[10] www.jcsh-cces.ca/ (19 August 2015).

[11] Ibid.

[12] Ibid.

Figure 1—Comprehensive School Community Health



Source: Joint Consortium for School Health.

The Ministry of Education has adopted the comprehensive school community health (CSCH) approach to guide it in promoting nutrition and physical activity. The Ministry uses guidelines and its website (which include tools and templates such as draft policies, checklists, etc.) to assist school divisions and schools with the implementation process and monitoring of initiatives based on the CSCH approach. The Ministry has issued two guidelines to school divisions:

- *Nourishing Minds – Towards Comprehensive School Community Health: Nutrition Policy Development in Saskatchewan Schools* (2012)[13]
- *Inspiring Movement – Towards Comprehensive School Community Health: Guidelines for Physical Activity in Saskatchewan* (2010)[14]

The Ministry's guidelines expect school boards to support optimal health for students in several ways. These include:

- Setting policies for healthy food and physical activity, including targets for planning and continuous improvement
- Seeking input and engagement from the school administrators, staff, students, parents, school community councils[15] and the wider community
- Supporting professional development and ensuring that school board policies result in increased access to healthy food and physical activity across school divisions[16]

The Ministry sets the Core Curriculum, which includes content related to health and physical education. The aim of the Core Curriculum is to develop confident and competent students who can apply health strategies and have the disposition to live a healthy and active lifestyle.[17] As set out in **Figure 2**, the Core Curriculum sets a minimum number of education minutes for grades one through nine. It also requires schools to teach one credit (100 hours) of health or physical education at grade 10, 11, or 12. The health education curriculum includes components on nutrition. *The Education Act, 1995* requires school divisions to follow the Core Curriculum.

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[13] www.education.gov.sk.ca/nourishing-minds/ (30 June 2015).

[14] www.education.gov.sk.ca/inspiring-movement (30 June 2015).

[15] School community councils are intended to strengthen the capacity of schools to improve learning and well-being of students. They are comprised of parents/community members that are elected to the council and a number of appointed members such as the principal, teachers, community school coordinator and, in secondary schools, student representatives. www.gscs.sk.ca/community/SchoolCouncils/Documents/CSCCs_Questions_and_Answers.pdf (20 August 2015).

[16] www.education.gov.sk.ca/nourishing-minds/ (30 June 2015).

Figure 2—Required Curriculum Minutes

Grade	Physical Education
1 through 6	150 minutes/week
7 through 9	100 minutes/week
Grade	**Health Education**
1 through 6	80 minutes/week
7 through 9	100 minutes/week
Grade	**Health/Physical Education**
10, 11 or 12	1 credit or 100 hours of health or physical education

Source: Ministry of Education, Core Curriculum: Principles, Time Allocations and Credit Policy.

2.2 Division Priorities Related to Health and Physical Activity

St. Paul's Roman Catholic Separate School Division No. 20 is also known as Greater Saskatoon Catholic Schools (GSCS, or Division). It is one of Saskatchewan's 28 school divisions. It is Saskatchewan's largest Catholic school division with 45 schools serving approximately 17,000 students in the city of Saskatoon and surrounding area.[18] GSCS has seen an increase in enrolment of about 6% since 2012.[19] In 2013-14, it had revenues of $177.4 million (2012-13: $187.5 million) and expenses of $178.0 million (2012-13: $167.3 million).

One of GSCS' strategic priorities is "Improving Student Learning and Achievement." One of its goals is "to commit to increasing the health and fitness of all students: to ensure a culture of student engagement and participation as foundational in our curricular and extra-curricular opportunities for students."[20]

Ineffective processes to promote good student health and physical fitness increase the risk that students will not be ready to learn or will be less capable of achieving their full potential. This increases the risk of not achieving desired educational and health outcomes, with their related social and economic benefits.

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[17] Ministry of Education, (2010), *Renewed Curricula: Understanding Outcomes*, p. 28.
[18] St. Paul's Roman Catholic School Division No. 20, Annual Report 2013-14, p. 4. www.gscs.sk.ca/board/Pages/AnnualReportsPublications.aspx (2 September 2015).
[19] Ibid., p. 14.
[20] St. Paul's Roman Catholic School Division No. 20, *Board of Education Priorities and Goals 2012-2016*. www.scs.sk.ca/board_information/documents/2012_2016_Board_Priorities_and_Goals.pdf, pp. 2-3 (1 May 2015).

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the processes St. Paul's Roman Catholic Separate School Division No. 20 used to promote good student health and physical fitness for the 12-month period ended June 30, 2015. We focused on processes related to nutrition and physical activity.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Division's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Division management agreed with the criteria (see **Figure 3**).

Figure 3—Audit Criteria

1. **Establish requirements to promote good student health and physical fitness**
    - 1.1 Document requirements for promotion of health and physical fitness (e.g., policies for nutrition and physical activity, oversight of schools)
    - 1.2 Align requirements with Ministry of Education policies and guidelines
    - 1.3 Align requirements with Division strategic direction
    - 1.4 Communicate requirements to school administrators, teachers, students, parents, and other stakeholders
2. **Use initiatives to promote good student health and physical fitness**
    - 2.1 Select initiatives that align with requirements
    - 2.2 Assign responsibility for initiatives
    - 2.3 Allocate resources for initiatives
    - 2.4 Engage partners to support initiatives
    - 2.5 Carry out initiatives
3. **Monitor effectiveness of initiatives**
    - 3.1 Decide how best to measure the success of initiatives (e.g., indicators)
    - 3.2 Measure results of initiatives
    - 3.3 Adjust initiatives as required
    - 3.4 Report on initiative results

We concluded that for the 12-month period ending June 30, 2015, St. Paul's Roman Catholic Separate School Division No. 20 (GSCS) had, other than in the following areas, effective processes to promote good student health and physical fitness.

GSCS needs to:

- **Set and communicate its expectations for promoting student physical activity**
- **Provide school principals with criteria to guide school-level decisions on initiatives**
- **Monitor partnerships and community relationships related to student health and physical fitness initiatives**
- **Develop a process to track and report to its Board on the performance of its student health and physical fitness initiatives**

In addition, GSCS needs to review and update its policies on a regular basis.

4.0 KEY FINDINGS AND RECOMMENDATIONS

For clarity, when we refer to GSCS, we mean the Division as a whole, including its oversight body (i.e., Board), the Division Office (i.e., senior management and administrative offices), and schools. When we refer to the Division Office and schools, we mean these components of the Division.

4.1 Need to Document and Communicate Physical Activity Expectations

4.1.1 Need to Set Physical Fitness Expectations

We expected that GSCS would have processes for documenting its requirements for promoting student health and physical fitness (e.g., policies for nutrition and physical activity). We expected that GSCS would align its requirements with its strategic direction and the Ministry of Education's policies and guidelines.

The Ministry describes in *Inspiring Movement* and *Nourishing Minds* that leadership by boards of education is critical for establishing effective policies and for ensuring their effective and full implementation.[21] As noted earlier, one of the GSCS Board goals is to commit to increasing the health and fitness of all students.

GSCS's Board has approved a *Nutrition Policy* that supports implementation of the Ministry's guideline *"Nourishing Minds."* We found that the *Nutrition Policy* addresses most, but not all, points in the Ministry's guideline, *Nourishing Minds*, (e.g., targets, defining healthy foods). The *Nutrition Policy* refers to other documents (e.g., *Nourishing Minds, Saskatchewan School Boards Association – Nutrition Guidelines for Schools, School Food Guidelines*, Nutrition Positive).

GSCS has not set out its expectations on student physical activity to support the implementation of the Ministry's guideline, *Inspiring Movement*. The Board approved a *Physical Education Safety Guidelines Policy*. This policy only sets out safety guidelines for physical education and playground activities. The Ministry recommends setting policy for physical activity that takes into account the needs of all students and includes physical activity strategies and targets for improvement within planning.[22] We noted that the Ministry's guideline *Inspiring Movement* includes a sample school division policy. Not setting out physical activity expectations (e.g., an expectation for students of 30 minutes of physical activity per day) makes it less likely that the Division and its schools will achieve the Board's stated goal of increasing the health and fitness of students. This may impact overall learning for students.

1. **We recommend the St. Paul's Roman Catholic Separate School Division No. 20 set its expectations for promoting student physical activity.**

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[21] *Inspiring Movement*, p.11; *Nourishing Minds*, p. 8.
[22] *Inspiring Movement*, p.11.

We found that the Board did not have a process to keep its policies current. We noted cases where the references in the *Nutrition Policy* were outdated. For example, the Policy references the *Nourishing Minds* issued in 2009 instead of the revised version released in 2012. We also noted that the approval date for the *Physical Education Safety Guidelines Policy* was 1999; Division management told us it was last assessed in 2002.

Not having a process to review policies periodically increases the risk of policies becoming outdated or irrelevant.

2. **We recommend the St. Paul's Roman Catholic Separate School Division No. 20 establish a process to review and update policies on a regular basis.**

4.1.2 Existing Expectations Communicated

We expected that GSCS would communicate expectations for student health and physical fitness to school administrators, teachers, students, parents and other stakeholders.

The Division Office used the GSCS's website to communicate existing policies. However, as the previous section noted, GSCS needs to document its expectations for promoting student physical activity. The Division must set and document its expectations for it to be able to communicate them to school administrators and parents.

Certain Division Office staff support schools in the areas of physical activity and nutrition. For example, Division Office staff members participate in Saskatoon-wide "In Motion" and "Nutrition Positive Committees." We observed that Division Office staff shared information with school principals as well as supports in the areas of health (including nutrition) and physical fitness through emails, meetings, and interactions with specialized staff.

To promote student nutrition and physical fitness, schools communicate with parents, teachers, and students. Each school maintains its own website. We observed that the websites of the schools we visited provide links to Division policies.

GSCS expected each school to use its website, newsletters for parents, along with posters in schools to provide information on student nutrition and physical fitness to parents, teachers, and students. We found four of the seven schools we visited did not consistently use their websites or newsletters to provide information on student health and physical fitness during the 2014-15 school year. Rather, we found they used posters promoting student nutrition and physical fitness in schools.

4.2 Improvements Required in Selection and Implementation of Initiatives

4.2.1 Responsibility Assigned, Not Monitored

We expected the Division Office and schools would assign responsibility for initiatives and engage partners as necessary.

The Division Office has given certain of its staff responsibility for overseeing schools (i.e., superintendents). It has also assigned staff in several specific areas related to student health and physical fitness (e.g., coordinators, dieticians), to guide and assist schools including delivery of the curricula, and nutrition programs for these areas.

Division Office staff indicated the Division expected schools to adopt both the "Nutrition Positive" and "In Motion" initiatives (see **Figure 4**). Most of the schools we visited did not consider themselves to be fully participating in these programs (five of seven schools visited for Nutrition Positive; six of seven schools visited for In Motion). Although schools receive information regarding initiatives from GSCS, school administrators indicated that it was not clear whether the Nutrition Positive and In Motion initiatives were priorities for the Division.

Schools select and use different initiatives to promote student health and physical activity given their differing school populations, composition, and needs. However, the differing views between the Division and schools on the selection and use of key initiatives, such as Nutrition Positive and In Motion, increases the risk that schools will not have effective activities in the areas that the Division has identified to support students. Providing principals with criteria to guide their assessment and selection should assist with the alignment (see **Recommendation 3**).

4.2.2 Initiatives in Place at Division and School Level

We expected that GSCS would use initiatives (i.e., programs and activities) to promote student health and physical fitness. The Division Office and schools would select initiatives that align with GSCS's requirements.

We found that GSCS and schools used various initiatives, in addition to delivering the health and physical education curricula, to promote student health and physical fitness. GSCS uses two key initiatives: Nutrition Positive and In Motion (see **Figure 4**).

Figure 4—Nutrition Positive and In Motion Initiatives

Nutrition Positive is a partnership program to bring good nutrition into the whole school community encouraging good health through nutritious food choices. Classroom and school activities, staff events, fundraising projects and meal programs all focus on good nutrition and creating healthy food environments. Partners in the Nutrition Positive Committee include school divisions, public health, CHEP (Child Hunger Education Program), the College of Nutrition (University of Saskatchewan),[a] and corporate sponsors (e.g., Cameco Corporation).

In Motion is a health promotion strategy that encourages students and teachers to make regular physical activity a part of their daily lives.[b] In Motion's overarching ambition is to ingrain both understanding and behavioural changes into the culture of the school community. Founding partners of the In Motion Committee include Saskatoon Health Region, City of Saskatoon, University of Saskatchewan, and ParticipACTION.

Source: Child Hunger Education Program and Saskatoon Health Region websites.

[a] www.chep.org/en/programs/nutritionpostive (2 September 2015).

[b] www.saskatoonhealthregion.ca/locations_services/Services/health-promotion/Pages/in-motion.aspx (8 September 2015).

We observed schools implementing initiatives to support nutrition and physical activity (see **Figure 5**).

Figure 5—Examples of Initiatives and Partners[23]

Initiative	Description	Partnership
FitStats	Assessment and reporting software used to assess, promote, analyze, monitor and manage student fitness levels (see **Figure 6** for further detail)	N/A
Intramural Sports	Lunch and after school team sports focusing on general participation	N/A
Interschool Sports	Competitive sports teams	N/A
Play First	Recess before lunch	N/A
Marafun	Marathon distance covered in small segments	Saskatoon Marathon
Jump Start	Learn to play organized sport hockey	Canadian Tire
Body Breaks	In class physical activity breaks for students	N/A
Football/Hockey/Track	Access to programs	Kinsmen
60 Minutes Kids Club	Initiative sponsored by the Heart and Stoke Foundation to get kids excited about making healthy choices	Heart and Stroke Foundation
Skating	Access to facilities	City of Saskatoon
Child Nutrition Programs	Feeding children in need	Potash Corporation
Food Donations	Feeding children in need	Local restaurants and bakeries
Food Program, Kids Kitchen, Fresh Food Market	Feeding children in need, teaching how to cook, hosting fresh food market sales to community members	Child Hunger Education Program (CHEP)

Source: St. Paul's Roman Catholic Separate School Division and school information.

Both the Division Office and schools identify initiatives. At the Division level, staff generate ideas for initiatives, and also collect from and share ideas with schools. For example, Division Office staff attended Saskatoon In Motion and Nutrition Positive Committee meetings.

GSCS has also undertaken, with the support of partners, more extensive research and analysis of needs. The 2012 *Nutrition Programming in Greater Saskatoon Catholic Schools Program Priorities Document*, together with more recent updates, described needs and initiatives related to feeding hungry students.

Division Office staff assess the cost and priority of initiatives through the Division budget process. For example, the Division considered and approved the "FitStats" initiative (see **Figure 6**) as part of its budget process.

Figure 6—Implementing the FitStats Initiative

At June 2015, the Division Office was in the process of piloting a new initiative called "FitStats." FitStats is assessment and reporting software that will be used to assess, promote, analyze, monitor and manage student fitness levels. It provides reporting and coaching tools to assist teachers in supporting students to improve their fitness levels. The physical fitness data collected included aerobic, flexibility, muscular endurance and muscular strength measures. It highlighted what areas need improvement and suggested actions for students to take. The Division piloted the initiative for physical education students in all high schools and one elementary school in the 2014-2015 school year. The Division Office coordinated training in the initiative for physical education teachers. The Division plans to roll this software out to all its schools in the future.

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[23] By "partner" we do not mean legal partnerships; rather, we mean relationships with persons or organizations within the community that provide support of various kinds.

Source: Provincial Auditor Saskatchewan (August 2015).

The Division Office pilots (tests) major initiatives before implementing throughout the entire School Division. For example, during the 2014-15 school year, GSCS piloted FitStats (see **Figure 6**). For initiatives which it funds, the Division Office provides direction to promote consistent implementation across schools (i.e., yoga, physical education equipment).

We did not see evidence of schools using, nor the Division Office recommending the use of guidance and tools from the Ministry for assessing and addressing needs related to student health and physical fitness (e.g., planners, checklists, and evaluation tools). Also, the Saskatoon Nutrition Positive Committee provides guidance to Division schools in the *Nutrition Positive Manual*. However, we saw little evidence of schools using the guidance from the Ministry or the Nutrition Positive Committee.

At the school level, principals most often informally assess feasibility of school-level initiatives; they may also discuss these initiatives with Division Office staff and school community councils. We saw a variety of initiatives in schools (see **Figure 5** for examples). Principals indicated that they were often approached, for example by businesses and not-for-profit organizations in the community, with proposals for initiatives. We found that principals did not use consistent or systematic approaches for assessing initiatives and did not receive guidance from GSCS to help them assess and select initiatives. Without consistent guidance on assessing and selecting initiatives, principals may not be selecting initiatives that align with Division priorities and meet the needs of the students.

3. **We recommend St. Paul's Roman Catholic Separate School Division No. 20 provide principals with criteria to guide their assessment and selection of health and physical fitness initiatives at the school level.**

4.2.3 Resources Allocated Based on Perceived Priorities

We expected the Division Office and schools would allocate resources for the initiatives and carry them out.

Student health and fitness initiatives require financial, staff, volunteer, and physical resources such as equipment. As noted earlier, GSCS considers major health and fitness initiatives in its budget process. For major Division initiatives (for example, training for FitStats, nutritional assistants for school meal programs), the Division Office evaluates staff resource requirements when planning the initiatives. For these initiatives, the Division Office also considers training requirements. We found that the Division Office provided training to staff and volunteers on these initiatives.

For school-level initiatives, principals consider required resources. Schools rely extensively on volunteers and staff to run health and physical activity initiatives.

Initiatives are often led by staff with a particular interest in the initiative. In some cases, partners provide funding and/or volunteers. While Nutrition Positive and In Motion initiatives are a priority at the Division (and Ministry) level, principals stated that they do not have sufficient staff/volunteer resources to make it a priority at their level, or their priorities are focused more on simply feeding kids. As previously noted, GSCS has not set clear expectations for promoting student physical activity (see **Recommendation 1**).

We found that the Division Office and schools consider physical resources required (e.g., equipment) when implementing initiatives. The Division Office makes equipment and training on equipment available to schools to encourage physical activity.

4.2.4 Incomplete Information on Partnerships

We found the Division Office and schools partner extensively with the private sector and not-for-profit sector to promote student health and physical fitness. In some cases, they approach partners; in other cases, partners approach them. Partners such as the City of Saskatoon and Potash Corporation play a crucial role in the schools addressing needs (see **Figure 5**).

The child nutrition programs are mostly centralized at the Division Office with Division Office staff initiating corporate partnerships (see **Figure 7**). At August 2015, each school orders its own food to feed children in need. The Division Office is looking at centralizing that process to increase efficiency. We also found schools entered into partnerships or community relationships[24] with local businesses for additional food (i.e., donated bread) for school-level initiatives.

Figure 7—Partnerships—Corporate—Nutrition Programs

One large corporation in Saskatoon donates $175,000 to the Division Office for child nutrition programs. In the 2014-15 school year, the Division reported that this assisted schools in serving approximately 81,894 breakfast meals, 138,531 lunch meals, and 243,939 snacks at nine schools. We observed food programs in schools we visited. In one high school, an "on-the-go" breakfast is served. In one elementary school, all students receive breakfast, lunch, and snacks each day (400 students). In other schools, students must tell teachers if they require meals or snacks. We did find there were contingency plans to feed children as the need arises in all schools we visited.

Source: Provincial Auditor Saskatchewan (August 2015).

The process to obtain partners is informal. Where a need for partnerships is identified, the Division Office or schools contact organizations that have the potential to meet need (e.g., University of Saskatchewan pediatrics program to meet health needs at St Mary's). See **Figure 8**.

Figure 8—Partnerships—St. Mary's Wellness and Education Centre

We visited St. Mary's Wellness and Education Centre. This school is seeking to respond to the challenges of its community through many initiatives: a high performance agility centre, pediatrics clinic, eye clinic, community garden and fresh vegetable market. The Division and the Saskatoon Health Region support the initiatives at this school. Many initiatives responded to a report issued in November 2006 that described the disparities in health that existed in Saskatoon between people living in low-income neighbourhoods and those living in affluent neighbourhoods.[a] Other partners include the Saskatoon Tribal Council, and the University of Saskatchewan, College of Medicine, Department of Pediatrics.

Source: Provincial Auditor Saskatchewan (August 2015).

[a] www.sktc.sk.ca/programs-services/health/stc-health-centre-services/community-based-paediatric-clinic/ (24 August 2015).

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[24] Community relationship means interaction with a person or organization in the community, whether formalized or not, that relates to the activities of schools or the Division.

Both the Division Office and schools enter into partnerships and community relationships. The Division Office does not consistently evaluate or approve school-level partnerships. Nor does the Division Office require reporting from schools on their partnerships. As a result, the Division Office does not have complete information on which schools have entered into partnerships, and the extent of resources and value they provide to the school or overall Division.

The lack of complete partnership information could lead to schools working with inappropriate partners. It could also create competition among schools for partners or missed opportunities to coordinate efforts, increasing the risk of inefficiencies and duplication of effort for school administrators and Division Office staff.

4. **We recommend that the St. Paul's Roman Catholic Separate School Division No. 20 monitor partnerships and community relationships related to nutrition and physical activity initiatives.**

4.3 Initiative Monitoring and Reporting Required

4.3.1 Setting Targets, Monitoring Performance, and Reporting of Initiatives Needed

We expected that GSCS would monitor the effectiveness of its initiatives (i.e., programs and activities) to promote student health and physical fitness. It would decide how best to measure the success of its initiatives, and carry out that measuring. It would adjust initiatives as required. GSCS would report on the results of its initiatives.

We note that GSCS itself specifies, in a policy, that it will monitor its performance against the Board's strategic priority of "Improving Student Learning and Achievement" and its goal to commit to increasing the health and fitness of all students.[25]

In 2014-15, GSCS used the following processes to monitor its nutrition policy and the effectiveness of student health and fitness initiatives. These included:

- The Division monitored the delivery of the health and physical education curriculum to students.
- Students participated in the *Tell Them From Me Survey,* where students anonymously share their perceptions on many issues, including health and physical activity.[26]
- The Division monitored results from a piloted initiative. During the 2014-15 school year, the Division began piloting FitStats fitness monitoring software. The Division collected physical fitness test results from Grade 9 and 10 physical education students in all high schools and from one elementary school (see **Figure 6**).

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[25] St. Paul's Roman Catholic School Division No. 20, *Board of Education Priorities and Goals 2012-2016*. www.scs.sk.ca/board_information/documents/2012_2016_Board_Priorities_and_Goals.pdf, pp. 2-3 (1 May 2015).

[26] Related questions included whether students played sports with an instructor at school other than in a physical education class, and hours per day doing moderate and intense physical activity.

- The Board received a presentation that outlined curriculum offerings and described the number of students participating in activities including sports teams.
- A few schools formally assessed new initiatives. We observed one of the seven schools we visited collecting data (including a questionnaire to parents) about an initiative (i.e., moving noon recess to before lunch). The school used the results of the questionnaire to assess whether the initiative was providing the expected benefits (e.g., more food eaten, fewer behaviour issues).

Other than GSCS using the Ministry's Core Curriculum, which sets out required curriculum minutes, we found that GSCS had not set out measurable targets related to its goal of increasing health and fitness of all students. Setting measurable targets is important as it involves setting a direction (i.e., goal) and then identifying where it wants to be in achieving that goal, by when. Knowing the progress the Division is making in reaching targets helps it determine the resources necessary to achieve the target. Without targets, it is difficult for the Division to understand if it is doing enough or doing the right things, and whether it is making a difference in improving the health and fitness of students.

As set out in **Figure 9**, we found schools did not always comply with existing policies (e.g., the Division's *Nutrition Policy*). As such, the Division's monitoring provided it with only limited information of the results of the Division's and schools' many initiatives and compliance with its nutrition policy.

Figure 9—Nutrition and Food Sales in Schools

The Division Nutrition Policy categorized food and beverages sold to students as Serve Most Often, Serve Sometimes or Serve Least Often (Nutrition Positive Guidelines). The policy also states that schools should be nutrition positive. It sets out that foods should emphasize vegetables and fruit, lower fat milk products, whole grain products, lean meats and foods prepared with little or no fat, low salt, sugar, caffeine and high in vitamins and minerals. Foods from the Serve Least Often list should be served in moderation. 50% of food in vending machines should be "heart smart" selections and vending machines are not allowed to sell regular or diet soft drinks, milk and waters with flavors or sweeteners, fruit drinks with less than 100% fruit juice, or sports drinks. The *Nutrition Positive Manual* also sets out a list of foods that are not recommended.

We visited seven schools. We observed instances where schools served foods on the "not recommended" list such as donuts, muffins, cookies, potato chips, nachos and cakes. We also observed some of these foods along with soft drinks, energy drinks and sports drinks in vending machines at high schools. We did observe that there were no deep fryers in any of the schools we visited, which is consistent with a Division Office initiative to remove all deep fryers.

Source: Provincial Auditor Saskatchewan (August 2015).

Without information and corresponding analysis about the effectiveness of its initiatives and policy, GSCS will be less able to effectively identify issues. The Division will also be less able to determine which schools require revised initiatives or assistance to comply with policy and support student health and physical fitness. As a result, there may be uneven results across the Division, the Division may fail to take effective, timely action to address issues, and students may be less ready to learn.

5. **We recommend that the St. Paul's Roman Catholic Separate School Division No. 20 establish a process to track and report to its Board of Education on the performance of its initiatives to promote good student health and physical fitness.**

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Chapter 41
Tourism Saskatchewan—Managing the Use of Social Media

1.0 MAIN POINTS

Tourism Saskatchewan uses social media to market Saskatchewan as a tourism destination. Social media channels, such as Facebook, allow organizations to create online communities (i.e., social networks) that share information, ideas, personal messages, and other content (e.g., videos) and thus enhance the effect and reach of a message. Top concerns around social media management includes loss of control of content, diminished reputation from poor or inaccurate content, and a means to criticize an organization.

For the 12-month period ended May 31, 2015, Tourism Saskatchewan needed more formal processes to effectively manage its use of social media and decrease the possibility of inappropriate content on its social media channels. Tourism Saskatchewan needs:

- A formal social media strategy
- Comprehensive social media policies and terms of use posted on its social media channels
- Formal agreement by staff with its social media policies
- Periodic reports on results achieved from its use of social media

In this chapter, we also include an Exhibit (see **Exhibit 6.1**) that outlines an implementation plan that other organizations may find useful when considering social media use.

2.0 INTRODUCTION

Tourism contributes to Saskatchewan's economy with over 12.5 million visits to Saskatchewan generating over $2.12 billion in travel expenditures in 2012.[1] **Figure 1** shows travel expenditures from 2008 to 2012. As well, approximately 4,000 tourism-related businesses provided full- and part-time employment to 55,600 citizens in 2012.[2]

Figure 1—Travel Expenditures in Saskatchewan by Year

Year	2008	2009	2010	2011	2012
Travel Expenditures (in billions)	$1.59	$1.60	$1.65	$2.00*	$2.12

Source: Tourism Saskatchewan 2010 – 2014 annual reports (based on Statistics Canada figures); 2012 is the most recent data available at May 31, 2015.
*According to Tourism Saskatchewan's 2013 annual report, Statistics Canada determined the figures for 2011 using a new methodology; therefore, they are not comparable to data for previous years.

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[1] *Tourism Saskatchewan 2013/14 Annual Report*, p. 11.
[2] *Tourism Saskatchewan 2013/14 Annual Report*, p. 12.

In 2012, Tourism Saskatchewan[3] was created under *The Tourism Saskatchewan Act* to:

- Market Saskatchewan as a tourism destination in domestic, national, and international markets
- Assist Saskatchewan's tourism industry operators to market their products
- Develop and promote the quality of tourism products and services in Saskatchewan
- Provide visitor information services[4]

Tourism Saskatchewan has about 80 employees in total, and spends about $19 million each year carrying out its responsibilities.

As part of its overall marketing strategy, Tourism Saskatchewan uses social media to source, distribute, and encourage sharing of positive Saskatchewan images and messaging to promote Saskatchewan as a tourism destination. Tourism Saskatchewan's social media is managed mainly by its Online Marketing Branch.

3.0 SOCIAL MEDIA PRESENTS RISKS

Studies show that social media (e.g., Facebook) plays a growing role in marketing tourism experiences. For example, a United States tourism study in July 2014 showed that 40.1% of travellers used social media as part of travel planning.[5] As well, younger generations increasingly use social media to access travel information.[6]

Social media is the use of internet-based applications that allow people to create, share, or exchange (post) information, ideas, and pictures/videos (content) in virtual communities (social networks). These internet-based applications, commonly referred to as social media channels, include Facebook, Twitter, Google+, Pinterest, and Instagram.

As with the use of any information technology (IT), certain risks are inherent with using social media. For example, using social media provides additional opportunities for unauthorized access to an organization's information systems and data.[7] Other risks of using social media include:

- Lack of proper control of content
- Inappropriate postings
- Hacked accounts causing defacing or defamation of content
- Inconsistent branding (e.g., logo, photo style)
- User misuse (e.g., malware and viruses,[8] shared passwords)
- Sensitive data loss

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[3] Tourism Saskatchewan, a Treasury Board Crown corporation, is a continuation of the Saskatchewan Tourism Authority.

[4] *The Tourism Saskatchewan Act.*

[5] *Destination Analytics*, July 2014.

[6] Ibid.

[7] KPMG, *Social Media Risks and Governance Presentation*, May 2014.

[8] Malware (short for malicious software) and viruses are any software used to disrupt computer operation, gather sensitive information, or gain access to computer systems. Phishing attempts at users may contain links to websites that are infected with malware.

Many of these risks can result in sharing inappropriate or false information, potentially damaging an organization's reputation. This risk is increased because of the ease and speed with which information can be shared through social media. Because of this, it is important that Tourism Saskatchewan has effective processes to manage its use of social media channels.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether Tourism Saskatchewan had effective processes to manage its use of social media for the 12-month period ended May 31, 2015. This audit did not examine Tourism Saskatchewan employees' personal use of social media.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Tourism Saskatchewan's processes, we used criteria (see **Figure 2**) based on the work of other auditors and literature listed in the selected references. The criteria are primarily based on Information Systems Audit and Control Association's (ISACA) social media audit assurance program. Tourism Saskatchewan's management agreed with the criteria.

We examined Tourism Saskatchewan's social media policies and procedures, including related human resource and information security policies. We reviewed Tourism Saskatchewan work plans and reports, interviewed staff, and observed Tourism Saskatchewan's content on its social media channels. We used the Government of Canada's social media implementation plan template to benchmark Tourism Saskatchewan's social media processes (see **Exhibit 6.1**).

Figure 2—Audit Criteria

1. **Set a governance framework for social media use**
    - 1.1 Define a social media strategy in alignment with business objectives
    - 1.2 Conduct and maintain threat and risk assessments
    - 1.3 Set social media policies (e.g., information technology, human resource, communications)
2. **Implement social media policies**
    - 2.1 Allocate sufficient resources
    - 2.2 Train staff in social media awareness
    - 2.3 Manage social media access
    - 2.4 Prevent viruses and malware
3. **Monitor and report on social media use**
    - 3.1 Review social media use (e.g., content, external visits)
    - 3.2 Respond to incidents (e.g., inappropriate content, security threats)
    - 3.3 Report performance of social media and incidents to Board

We concluded that, for the 12-month period ended May 31, 2015, Tourism Saskatchewan had, other than the following, effective processes to manage its use of social media. Tourism Saskatchewan needs to:

- **Develop a formal social media strategy**
- **Finalize comprehensive social media policies that address risks associated with using social media and post its terms of use on its social media channels**
- **Require periodic confirmation of staff's understanding of social media policies**
- **Determine and report on results achieved from its use of social media**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics) and our key findings along with related recommendations.

5.1 Formalized Approach to Social Media Needed

Social media should be used deliberately and targeted to achieve a clear purpose. We expected that Tourism Saskatchewan would have a social media strategy that answered the question "why are we using social media?" and included:

- *The expected benefits and costs of using social media*
- *The social media channels that will be used*
- *The planned target audiences*
- *Who will be responsible for social media*

We also expected Tourism Saskatchewan to understand the ways that social media exposes it to risk, identify those risks, and develop strategies to mitigate risks, where necessary – for example, set policies to support appropriate social media use. Policies would include clear, concise, and practical rules for online conduct, with consequences for failure to comply, and be reviewed and updated on a periodic basis.

As expected in its business plan, Tourism Saskatchewan used social media to meet its broader marketing strategies. These strategies required Tourism Saskatchewan to disseminate messages about tourism opportunities in the province through its website; trade shows; radio, television, magazine and newspaper advertising; billboards; and social media. We observed consistency and a strong alignment between all messages sent through social media and other forms of communication. However, Tourism Saskatchewan did not have a separate, documented social media strategy linking its social media channels to its key business objectives. Also, it did not have a formal process to determine whether its social media efforts were successful in meeting its business objectives; or, in other words, whether the benefits outweighed the costs of using it. Setting performance measures and targets allows organizations to better assess the effectiveness of their use of social media, and adjust their social media strategy accordingly (e.g., phase out accounts that are no longer performing as expected).

1. **We recommend that Tourism Saskatchewan complete a social media strategy including performance measures and targets for its use of social media.**

Tourism Saskatchewan started using social media (e.g., Facebook) in 2009 to promote tourism in the province, drive traffic to its website, and generate "click-throughs"[9] to tourism operator websites. Since 2009, Tourism Saskatchewan gradually adopted different social media channels as social media evolved and its needs changed. For example, in April 2015, Tourism Saskatchewan created a new Twitter account for connecting its new Chief Executive Officer with tourism partners (i.e., operators) in the province to complement its existing use of Twitter, which consisted of three accounts: for general users, the tourism industry, and travel media.

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[9] A "click-through" is a mechanism to bring people to a website. Tourism Saskatchewan's website provides links to tourism operator websites (for a fee) which encourage people to click and redirect themselves to tourism operators' webpages.

At April 29, 2015, Tourism Saskatchewan used seven different social media channels (see **Figure 3**). We found that, through these channels, Tourism Saskatchewan shared links to websites advertising Saskatchewan tourism destinations (e.g., Meewasin), provided information about events in Saskatchewan (e.g., the Saskatoon Jazz Festival), and shared pictures and videos depicting Saskatchewan landscapes and activities with its followers.[10] The Executive Director of Marketing and Communications Division approved the use of each of these social media channels.

The Online Marketing Branch is primarily responsible for Tourism Saskatchewan's social media channels. Staff stated that Tourism Saskatchewan generally used social media channels to build community, identify and empower advocates and influencers, create a positive image of Saskatchewan as a travel destination, increase resident pride, and drive traffic to its website. It used Facebook and Twitter channels with multiple pages/accounts that target specific audiences (e.g., anglers, travel media).

Figure 3—Tourism Saskatchewan's Social Media Channels as of April 29, 2015

Channel	Type of Tool	Target Audience and Why Chosen	# of Tourism Saskatchewan Followers*
Facebook (5 pages)	Social Networking	Target audiences (see Figure 4) Most commonly-used social network with strong reach and established, effective advertising products	56,954 (general consumers page) 17,680 (fishing page) 2,003 (tourism industry page) 794 (German page) 520 (Tourism Saskatchewan jobs page)
Twitter (4 accounts)	Microblogging	Target audiences: general consumers, tourism industry, travel media, tourism operators Faster-paced marketing platform that reaches a different audience than Facebook	27,500 (main Twitter account) 2,607 (travel media account) 367 (tourism industry account) 114 (tourism operators account)
Instagram	Image Sharing	Target Audience: general consumers Mobile-based network which is highly visual with a rate of engagement typically higher than Facebook	7,334
Pinterest	Image Sharing and Categorizing	Target audience: general consumers Pins tend to stay in pinboards much longer to be discovered by new or existing users weeks, months or years later	1,528
Google+	Social Networking	Target audience: general consumers Google rewards participation in Google+ with links in search results if a term searched relates to a Google+ post	842

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[10] On social media channels, a follower is someone who subscribes to receive updates on the channel.

Channel	Type of Tool	Target Audience and Why Chosen	# of Tourism Saskatchewan Followers*
YouTube	Video Sharing	Target audience: general consumers Primarily used to house video content	600
Tumblr	Microblogging	Target audience: general consumers Used to promote long-form content such as contests	260

Source: Tourism Saskatchewan.

*The overall reach of Tourism Saskatchewan's social media channels is extended to a broader audience because of its followers' engagement – sharing and liking content (e.g., one Facebook post reached over 100,000 people).

Figure 4—Tourism Saskatchewan's Facebook Pages as of April 29, 2015

Target Audience of Facebook Page	Purpose	Link
General Consumers	Used to build community, create positive image of Saskatchewan as a travel destination, and drive website traffic	www.facebook.com/TourismSaskatchewan
Fishing Consumers	Shares pictures, videos, and news specific for its fishing audience	www.facebook.com/FishingInSaskatchewan
German Travellers	Creates awareness of Saskatchewan in German-speaking Europe in support of travel trade	www.facebook.com/sasktourism
Tourism Industry	Promotes education and training opportunities offered to the tourism industry workforce	www.facebook.com/SaskatchewanTourismEducationCouncil
Potential Tourism Saskatchewan Employees	Creates awareness of and attracts candidates to employment opportunities with Tourism Saskatchewan	www.facebook.com/pages/Tourism-Saskatchewan-Jobs/183680315029667

Source: Tourism Saskatchewan.

In May 2015, Tourism Saskatchewan drafted a risk assessment for social media. The draft risk assessment contemplated the following high-level risks:

- Inappropriate content posted by the public
- Inappropriate content posted by Tourism Saskatchewan employees
- Compromised (i.e., hacked) accounts

The draft risk assessment included mitigation strategies (e.g., policies that require changing passwords frequently or deleting profanity).

By June 2015, Tourism Saskatchewan:

- Had an approved human resource (HR) social media use policy. The HR social media use policy gave detailed guidance for employees' personal use of social media (e.g., employees should not speak on behalf of Tourism Saskatchewan on their personal accounts).

- Had draft (unapproved) policies that outlined processes for changing passwords, managing third-party access, addressing complaints received through social media, and handling compromised accounts. However, we found its draft policies contained limited guidance on content management (e.g., appropriate content including use of corporate logos, communication tone, type and frequency of content) or how to respond to or address inappropriate content[11] posted by the public or by employees.

Not having complete and approved social media policies that set out how Tourism Saskatchewan expects staff to mitigate risks associated with the use of social media increases the risk of staff not understanding Tourism Saskatchewan's expectations. This lack of understanding increases the possibility of inappropriate content on its social media channels that could cause reputational damage to Tourism Saskatchewan.

2. **We recommend that Tourism Saskatchewan approve comprehensive social media policies.**

5.2 Staff Acknowledgement of Social Media Policies Required

Social media often requires a quick response, sometimes in near real-time. We expected Tourism Saskatchewan to have enough staff to respond quickly to followers and to keep the quality of content high in order to maintain followers' interest in social media. At times, dissatisfied individuals and employees use social media channels to express their concerns against an organization. We expected Tourism Saskatchewan to have social media policies that encouraged individualized and authentic communication, detailed what type of information would be disclosed, included a position on what and what would not be responded to, and outlined consequences for inappropriate actions. We also expected staff would be trained on the policies.

As previously noted, the Online Marketing Branch was primarily responsible for Tourism Saskatchewan's social media channels. The Online Marketing Branch had three full-time staff that conducted social media tasks along with their other work. Other tasks included developing online content, designing Tourism Saskatchewan's websites, researching social media trends, creating a monthly Tourism Saskatchewan newsletter, and managing advertising programs.

In regards to their social media tasks, staff maintained a schedule that set out when and what to post on each of Tourism Saskatchewan's seven social media channels. For example, staff posted to Facebook every day, tweeted three times a day, and posted a picture on Instagram a couple of times a week. Also, they used tools that automated posting of content (i.e., scheduled posts to occur in the evening hours) to facilitate the desired timing of content posting. We observed that the Online Marketing Branch posted content on the various social media channels according to the schedule thereby suggesting that it had sufficient staff to meet its current needs.

In addition to social media channels managed by the Online Marketing Branch, Tourism Saskatchewan's CEO, Tourism Education Council,[12] and the Human Resource Branch used separate Twitter and Facebook accounts to connect with tourism industry partners and advertise tourism-related jobs.

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[11] Inappropriate content includes offensive language, threats against the organization, and content not on topic. Actions to take may include deleting and rejecting content or banning a person from commenting or accessing the channel.

[12] The Saskatchewan Tourism Education Council is a branch of Tourism Saskatchewan that provides human resource products and services that enable Saskatchewan tourism employers to recruit, train, and retain a highly qualified, professional workforce.

Tourism Saskatchewan staff took training to keep abreast of current social media trends in tourism in the past year. Tourism Saskatchewan staff appeared competent and demonstrated knowledge of appropriate social media practices. We observed that staff maintained friendly and informal tone when posting content, responded to direct questions where appropriate, and deleted offensive language content when identified. However, as noted in **Section 5.1**, Tourism Saskatchewan had not completed policies for appropriate and inappropriate content or made a policy available (i.e., terms of use) to inform its followers what it regarded as acceptable posting behaviour (e.g., when and why it will delete or reject content).

Also, Tourism Saskatchewan did not have staff, on a periodic basis, formally sign off that they had reviewed and understood the social media policies. Lack of formal acknowledgement from staff confirming their understanding of social media policies increases the risk that policies will not be followed and may result in inappropriate content on Tourism Saskatchewan's social media channels.

3. **We recommend that Tourism Saskatchewan require all staff who represent it on social media to periodically review and agree to its social media policies.**

4. **We recommend that Tourism Saskatchewan post approved terms of use on its social media channels.**

Tourism Saskatchewan had limited ability to manage social media access because each social media channel (e.g., Facebook) establishes its own social media access rules (e.g., password settings). Regardless, organizations using social media channels can have policies that outline password requirements. As noted in **Section 5.1,** Tourism Saskatchewan's draft social media policies included policies over password requirements (e.g., frequency of changing passwords) to these accounts.

Tourism Saskatchewan had two different types of access to social media channels:

- Generic accounts – these were accounts where all users within Tourism Saskatchewan used the same username and password.[13] Tourism Saskatchewan's current practice is to change the password when a staff member leaves its employ.
- Individual accounts – these were accounts where each user within Tourism Saskatchewan had a personal account. Users with administrative rights[14] to the organization's account (i.e., Tourism Saskatchewan's) can invite other users with a personal account to join the channel.[15] Tourism Saskatchewan appropriately assigned administrative rights.

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[13] Channels that use generic accounts include Twitter, Instagram, Pinterest and Tumblr.

[14] Administrative rights give a user privileged access to an account, in that they have the ability to add or remove users and assign roles under the account.

[15] Channels that use individual accounts include Facebook and Google+.

Tourism Saskatchewan limited access to both types of accounts for most of its social media channels to three full-time employees.

Most social media channels contain instructions if users think someone has compromised their account. We found that Tourism Saskatchewan's draft social media policies included links to these user instructions. Our observation of Tourism Saskatchewan's content on its social media channels did not reveal problems with compromised accounts.

Virus and malware protection software on computers is an important step to restrict attempts to steal usernames and passwords and to restrict the ability of viruses to gain access to an organization's network through social media channels. We found that Tourism Saskatchewan had up-to-date virus and malware protection, and used reports to monitor the effectiveness of this protection.

5.3 Reporting on Results Achieved from Use of Social Media Needed

Monitoring the online conversation (by followers and/or staff) is equally as important as creating it. We expected that Tourism Saskatchewan would monitor the conversations occurring – both the content it provided as well as followers' responses – and have processes to respond to inappropriate content. We also expected Tourism Saskatchewan to collect information on previously-set performance measures based on business objectives to enable it to assess whether its social media strategy was successful.

Tourism Saskatchewan actively monitored the number of followers of each of its social media channels and overall. **Figure 5** shows that the number of Tourism Saskatchewan's social media followers has significantly increased since 2009. This increase is, in part, consistent with its increase in the number of social media channels used.

Figure 5—Social Media Followers by Year

Year	2009	2010	2011	2012	2013	2014
Number of Followers	5,250	10,500	12,000	36,000	61,000	108,000

Source: Adapted from Tourism Saskatchewan information.

Tourism Saskatchewan's staff and management also regularly monitored content on its social media channels. Staff received notifications (e.g., messages on their phones) when things were added/changed to social media channels, allowing them to respond in a timely manner. Tourism Saskatchewan did encounter instances where offensive language was posted on its channels and staff quickly deleted it.

Also, Tourism Saskatchewan staff monitored hashtags[16] (e.g., #ExploreSask) to identify content for social media channels and share it with followers. To learn what people were saying about Tourism Saskatchewan on Twitter, staff used search streams[17] to identify issues related to keywords like "Tourism Saskatchewan".

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[16] A hashtag is a type of label on a social network or microblogging service that makes it easier for users to find messages with a specific theme or content. Tourism Saskatchewan encourages the use of #ExploreSask hashtags through its social media channels.

In addition, Tourism Saskatchewan used analytic tools to monitor and summarize information across all its social media channels. For example, Tourism Saskatchewan acquired a tool at the beginning of 2015 that assists in measuring the value of what is being posted. The tool allowed Tourism Saskatchewan to summarize overall channel activity including potential audience reach, popular content and terms being shared, and times of the day when most people are viewing and interacting with Tourism Saskatchewan's social media channels. We found that staff used information from the tool to help decide when to post content (e.g., evenings versus mornings) and the type of content to use (e.g., pictures of Saskatchewan skies).

As noted in **Section 5.1**, at July 2015, Tourism Saskatchewan had drafted social media policies to address social media incidents (e.g., compromised accounts). To address inappropriate behavior in the absence of finalized policies, staff deleted content they found inappropriate (e.g., because it contained profanity), did not respond to certain posts, and blocked users who repeatedly posted inappropriate content.

We found Tourism Saskatchewan appropriately addressed complaints received through social media. For example, staff referred a complaint about Saskatchewan highway road conditions to an organization that could respond to the concern raised in the complaint. Also in 2014-15, staff forwarded two complaints from Tourism Saskatchewan's Facebook page to its Quality Assurance Department.[18] Tourism Saskatchewan noted that it did not experience any social media incidents (e.g., compromised accounts) to report to the Board.

We found that Tourism Saskatchewan senior management received monthly social media reports about key activities such as popular content shared (e.g., top 10 posts), number of followers, and extent of social media engagement (e.g., the number of likes, shares, comments). Tourism Saskatchewan senior management provided, on a quarterly basis, the Board with verbal updates on overall marketing activities (including social media activities) undertaken to achieve key strategic actions (e.g., creating a strong tourism identity for Saskatchewan).

Like its lack of formal performance measures and targets for social media (noted in **Section 5.1**), neither the Board, at least annually, nor senior management, at least quarterly, received information on whether its social media activities met its expectations (i.e., achieved the benefits or results expected). Without measuring and reporting results, Tourism Saskatchewan does not know if social media efforts were successful and the resources spent to manage social media were worthwhile.

5. **We recommend that Tourism Saskatchewan provide its Board and senior management with periodic reports on the planned and actual results from its use of social media.**

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[17] Search streams allow an organization to search all public posts on a social media channel like Twitter for a specific term or phrase.

[18] The Quality Assurance Department is a department within Tourism Saskatchewan responsible for replying to complaints and redirecting those comments, as appropriate.

6.0 EXHIBIT

Exhibit 6.1—General Content of Social Media Implementation Plan

- **Objectives and Business Drivers**
  Outline how the social media account aligns with the overall social media strategy and articulate the rationale and objectives it aims to achieve
  - How is this account linked to the organizational mandate and social media strategy?
  - What are its key business drivers and objectives?
  - What are the proposed uses of this account?
- **Risk Management Plan**
  Identify and assess the risks associated with participating on the social media platform, based on the proposed use, and develop appropriate mitigation strategies
- **Choice of Platform**
  Describe the target audience and key considerations that determined the appropriate platform selected and used
  - Who is the target audience?
  - What key considerations were used to select this platform?
- **Allocation of Resources**
  Identify the human and financial resources that will be dedicated to managing the account
  - What staff will be working on this social media initiative, and during what intervals?
  - What financial resources will be dedicated to this social media initiative (including resources for training staff)?
- **Roles and Responsibilities**
  Identify the roles and responsibilities of those who will be involved in using and managing the account. In this section, identify the departmental areas that will be responsible for each key function
- **Management Protocols**
  Describe the management processes that ensure effective, open and transparent engagement practices
  - Describe the protocols that will apply to this initiative:
    - Interaction and content protocol (engagement protocol)
    - Moderation protocol, including a protocol to deal with contentious issues
    - Content style guide (voice and tone of the account, types of content to be posted)
    - User management (who has access to the account, in what capacity, for how long)
    - Business continuity plan
- **Performance Measurement**
  Describe the approach that will be used to measure success in meeting the objectives of the account
  - How will success be defined?
  - What metrics will be used to measure success?
- **Communications Plan**
  Align key messages communicated through the official social media account with messages delivered through other departmental channels
  - What is the communications plan for this initiative?
- **Phasing Out**
  Describe the exit strategy to determine when and how to shut down an official social media account (i.e., the conditions that would prescribe an official social media account to be closed). Short-term accounts are discouraged. In most cases, a combination of the proper use of tags, links, and targeted messaging is likely to serve the purposes of a short-term account
  - How, when and why will this account be phased out?

Source: Adapted from the Government of Canada's Sample Template – Social Media Implementation Plan.

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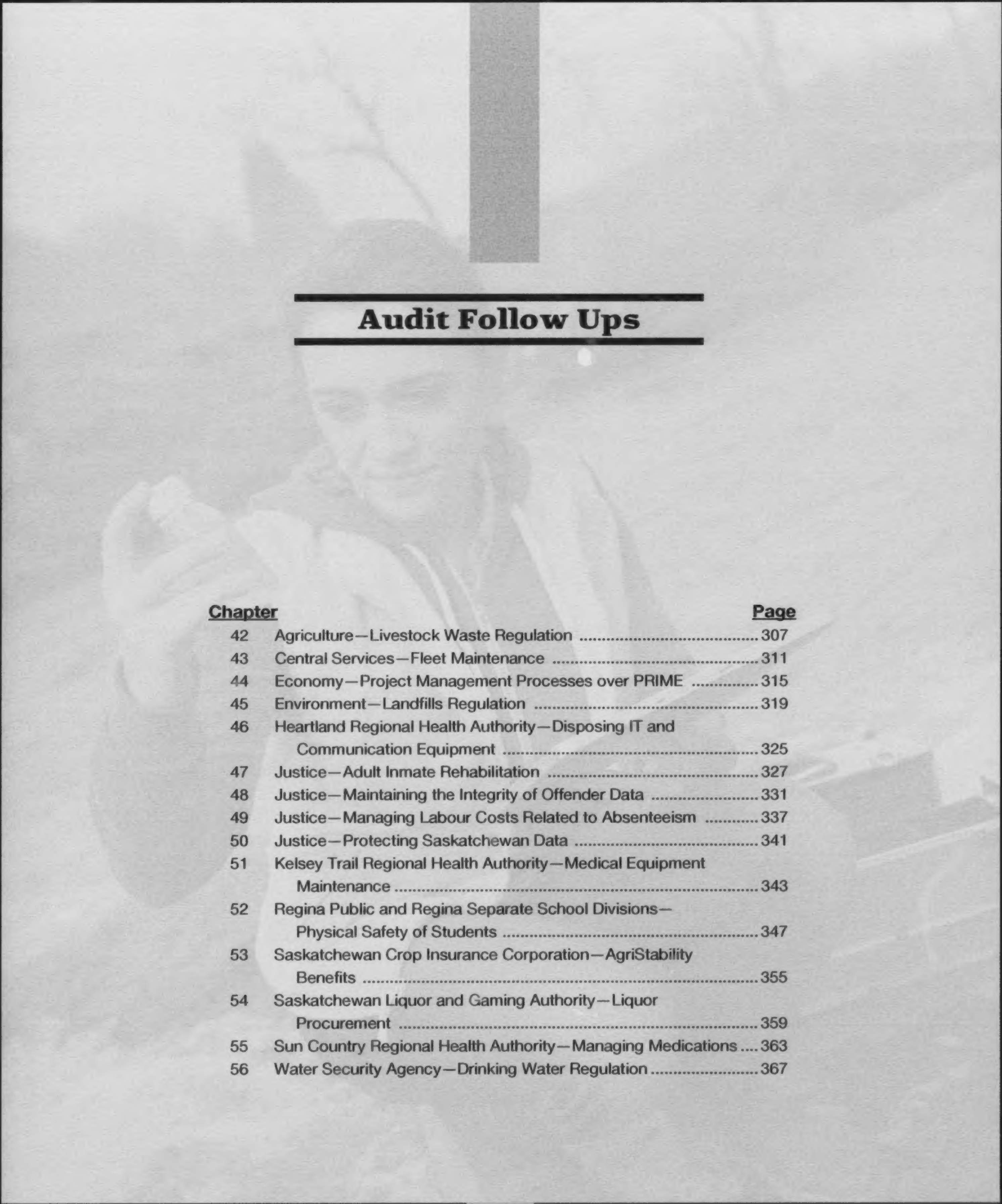

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Chapter 42
Agriculture—Livestock Waste Regulation

1.0 MAIN POINTS

The Ministry of Agriculture (Ministry) is responsible for administering the intensive livestock provisions under *The Agricultural Operations Act* and regulations (law) to ensure intensive livestock operators are storing and managing livestock waste in a manner that protects water resources.

By July 31, 2015, the Ministry had developed and implemented a risk-based re-inspection policy. The Ministry was in the process of confirming the operating status of all intensive livestock operation approvals made prior to 1996 and including them in the new re-inspection process. The Ministry expects to complete this work by March 31, 2016.

2.0 INTRODUCTION

This chapter describes our follow up of management's actions on the recommendations we made in 2013.

Our *2013 Report – Volume 2*, Chapter 28 concluded that, for the period from September 1, 2012 to August 31, 2013, the Ministry of Agriculture had effective processes to regulate waste generated from intensive livestock operations (ILOs) except for the following matters. It needed to confirm intensive livestock operations, approved prior to 1996 (pre-1996 approvals) have sufficient controls to protect water resources; and to create and use a risk-based inspection policy for re-inspection of ILOs.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit. To do our follow up, we had discussions with management on the progress they made in meeting our recommendations, and reviewed supporting reports and information to verify the progress.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2015, and the Ministry's actions up to that date.

3.1 Review Pre-1996 Approvals Partially Completed

We recommended that the Ministry of Agriculture confirm that intensive livestock operations, that it approved prior to 1996, have sufficient controls to protect water resources. (2013 Report – Volume 2; Public Accounts Committee agreement November 26, 2014)

Status – Partially Implemented

At July 2015, the Ministry was in the process of reviewing all ILO pre-1996 approvals. The Ministry is using its review to confirm whether these ILOs continue to operate. Permits issued pre-1996 are deemed valid and approved plans under the current law. ILOs managed in accordance with the approved plans are compliant with the law. All operating ILOs are subject to the Ministry's new re-inspection process described below.

For operating ILOs whose operations no longer comply with the original permit, the operator is required to make changes (such as implementing of the original plans or amendments as approved, implementation of maintenance or repair, or submission of an application for a new plan). ILOs that are required to implement changes are required to implement the changes in accordance with current standards. The Ministry is cancelling its pre-1996 approvals for ILOs no longer operating.

As of July 31, 2015, the Ministry had confirmed over 860 (52%) of the 1,665 known pre-1996 approvals. Of those, it has cancelled 308 (18%) pre-1996 approvals. The Ministry expects to complete its review of the remaining pre-1996 approvals by March 31, 2016.

3.2 Revised Inspection Policy in Place and Re-Inspection Rates Improving

We recommended that the Ministry of Agriculture set a risk-based inspection policy for re-inspections of intensive livestock operations. (2013 Report – Volume 2; Public Accounts Committee agreement November 26, 2014)

Status – Implemented

We recommended that the Ministry of Agriculture inspect intensive livestock operations in accordance with its policy. (2013 Report – Volume 2; Public Accounts Committee agreement November 26, 2014)

Status – Implemented

In September 2014, the Ministry developed a risk-score matrix. In this matrix, it assessed all valid and operating ILOs in the Ministry database and gave them a corresponding risk score.

Our review of inspections conducted in 2014 and early 2015 (prior to the new re-inspection policy described below) found that the Ministry consistently followed its policy for re-inspections within the five-year timeline. For the re-inspections conducted, the Ministry documented its findings using the re-inspection checklist, and sent a letter of summary inspection findings to the ILO operator.

In April 2015, the Ministry finalized a new re-inspection policy that set priority levels based on risk scores. At July 2015, the Ministry was using these risk scores to identify high-risk operations for re-inspection.

Under its new re-inspection policy, the Ministry is to conduct an on-site re-inspection of ILOs with high-risk scores at least once every five years. For all other ILOs without complaints made against them, the Ministry will ask the operators to give updated information at least once every ten years. For ILOs with complaints made against them, the Ministry is to conduct additional inquiries as set out in the *Intensive Livestock Pollution Inquiries Policy*.[1]

Our review of inspections conducted in May to July 2015 indicates that the Ministry is complying with its new re-inspection policy.

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[1] This policy is similar to those used in Alberta and Manitoba.

Chapter 43
Central Services—Fleet Maintenance

1.0 MAIN POINTS

The Ministry of Central Services (Ministry) maintains a fleet of approximately 4,400 vehicles.[1] These vehicles are used by government ministries and other government agencies. In our 2007 audit of the Ministry's processes to maintain its vehicle fleet, we concluded that it did not have adequate processes to maintain its vehicles in a safe condition and in an economical manner. We made three recommendations.

By June 30, 2015, the Ministry had implemented all three recommendations. The Ministry has developed a new computer system to help it ensure its fleet meets safety standards, and keep reliable repair and maintenance records. It has documented and approved procedures for the use of this system. Also, the Ministry gave its senior management periodic reports on compliance with the safety standards in *The Traffic Safety Act*.

2.0 INTRODUCTION

This chapter reports the results of our third follow-up on the Ministry's progress in addressing three recommendations we made initially in our 2007 audit of the Ministry's processes to maintain its vehicles in a safe condition and in an economical manner.[2] We reported our first follow-up in our *2010 Report – Volume 2*, Chapter 10, and our second follow-up in our *2013 Report – Volume 2*, Chapter 36. In each, we found that while the Ministry was making progress, it had not implemented the recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

In this follow-up, we held discussions with management and reviewed supporting documentation. We tested a sample of items to determine whether the Ministry's processes were working as intended.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at June 30, 2015, and the Ministry's actions up to that date. We found that the Ministry had implemented each of the recommendations.

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[1] Ministry of Central Services, *2013-14 Annual Report*, p. 5.
[2] *2008 Report – Volume 1*, Chapter 6.

3.1 Adequate Processes to Ensure Vehicle Fleet Meets the Safety Standards of *The Traffic Safety Act* and Reliable Records Kept

We recommended that the Ministry of Central Services (formerly Ministry of Government Services) establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act*. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

Status – Implemented

We recommended that the Ministry of Central Services (formerly Ministry of Government Services) keep reliable maintenance and repair records for its vehicles. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

Status – Implemented

In 2008, the Ministry implemented a requirement that all vehicles in its fleet must have a semi-annual safety inspection to help the Ministry determine if its fleet meets the standards of *The Traffic Safety Act*.

In April 2012, the Ministry implemented a new computer system called "FleetWave" to manage its vehicle fleet. FleetWave helps the Ministry track the required semi-annual inspections. It automatically determines the next inspection due dates, tracks when the inspections are due, and sends notifications to relevant staff of the upcoming inspection requirements. Also, it tracks the repairs and maintenance records related to the vehicles in the Ministry's fleet.

The Ministry has recorded information about all of its vehicles into the system. In late 2013, the Ministry documented and approved procedures to track vehicle inspections. These procedures give staff guidance for using the FleetWave system. In 2014, the Ministry had documented and approved its procedures for entering repairs and maintenance into the system.

For a sample of overdue inspections, we found staff followed expected procedures and appropriately followed up overdue inspections. For a sample of repairs and maintenance invoices, we found staff followed the expected procedures.

3.2 Adequate Reporting to Senior Management

We recommended that the senior management of the Ministry of Central Services (formerly Ministry of Government Services) receive reports to verify that vehicles are maintained in a safe condition and in an economical manner. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

Status – Implemented

Senior management receives monthly reports that provide adequate information about the condition of the Ministry's vehicles, consistent with approved policies. These monthly reports:

- Show monthly maintenance expenses
- Outline the number of vehicles overdue for their inspections
- Include the inspection date and follow-up actions taken for vehicles that are late for their semi-annual inspections by more than 90-days

Chapter 44
Economy—Project Management Processes over PRIME

1.0 MAIN POINTS

The Ministry of the Economy (Ministry) is replacing its old oil and gas information technology (IT) system. With the new system, it has a goal of improving processes to better meet its needs and the needs of industry stakeholders.

In this chapter, we report that the Ministry has partially implemented a recommendation that we had initially made in our 2011 audit of the Ministry's project management processes to develop and implement the PRIME project. By July 2015, the Ministry had not completely developed its plan to determine and report whether the PRIME project achieved its expected benefits.

2.0 INTRODUCTION

Since 2011, the Ministry has been undertaking an initiative called the Process Renewal and Infrastructure Management Enhancements program (PRIME project). As noted in **Figure 1**, this initiative entailed both changes to its business processes and computer systems. It had initially estimated, in 2009, this initiative to cost $48.7 million plus or minus 50%[1] over five years with a completion date of 2013.[2] As of June 2015, the Ministry has spent $65.8 million and expects to complete the project by Spring 2016 at an estimated total cost of $69.9 million. Also since 2011, it has dedicated various Ministry staff to this project.[3]

Figure 1—Description of PRIME

PRIME is the Ministry of the Economy's (Ministry) Process Renewal and Infrastructure Management Enhancement (PRIME) program. This initiative is to renew and modernize the Ministry's oil and gas business processes and computer systems. At a high level, PRIME is to:

- Renew the Ministry's oil and gas business processes and information systems to better meet the needs of industry stakeholders and the Ministry
- Develop the Integrated Resource Information System (IRIS) to support the Ministry's new business processes that will provide web-based self-service functionality to industry.
- Modernize the Ministry's business processes and systems related to:
  - Well and facility infrastructure
  - Petroleum tenure and subsurface management
  - Oil and gas volumetric and valuation reporting (completed in 2012 with the implementation of Saskatchewan data on Petrinex)
  - Oil and gas royalty and tax information and billing (completed in 2013)

Source: http://economy.gov.sk.ca/PRIME (29 July 2015).

This is our second follow-up of one recommendation resulting from our 2011 audit of the Ministry's project management processes to develop and implement the PRIME project. In our first follow-up, reported in our *2013 Report – Volume 2*, Chapter 40, we noted that the Ministry had met two of the three recommendations we made in our *2011 Report – Volume 1*, Chapter 6.

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[1] A budget with a plus or minus 50% results in a budget with a range of $24.4 million to $73.1 million.

[2] *2011 Report – Volume 2*, Chapter 6, p. 121.

[3] Certain Ministry staff act as subject matter specialists or business analysts so that redesigned systems and processes meet the Ministry's needs.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

Our Office reviewed the Ministry's PRIME Business and Program Outcomes document which stated the PRIME expected outcomes at both the program and project levels. We assessed whether information in this document was reasonable, and was communicated to the relevant parties.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2015, and the Ministry's actions up to that date. We found that the Ministry has more work to do to address this recommendation.

3.1 Documented Plans for Reporting on the Expected Benefits of the New System Needed

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) document its plans for measuring and reporting on the expected benefits of its new oil and gas system. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Partially Implemented

As noted in our *2011 Report – Volume 2*, the expected benefits for the PRIME project as a whole, included better services for the industry, reduced well license turnaround time, better access to data, better analytical tools, and reduced data errors.[4] Given the Government's significant investment in this new oil and gas system, we had expected the Ministry would set measureable targets to enable it to measure and report on the expected benefits of its PRIME to legislators, and the public.

Since our audit, the Ministry set measurable targets related to PRIME. For example, the Ministry expects to reduce the amount of time it takes to invoice oil and gas companies for royalties and taxes from 90 days to 15 days.

The Ministry tracked its progress on each of its measures. Periodically using these measures, it reported on its progress to the Information Management Advisory Council,[5] and internally to the Ministry's PRIME Executive Sponsor Committee meeting (e.g., in July of 2015).

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[4] *2011 Report – Volume 2*, Chapter 6, p. 125.

[5] Information Management Advisory Council consists of senior officials from a number of government ministries. It reviews major IT proposals of ministries and makes recommendations to the Ministry of Finance. In addition, the Council reviews and assesses the progress of major IT projects as well as key program or business areas.

However, by July 2015, the Ministry did not have a documented plan on reporting its progress towards achievement of expected benefits of PRIME publicly. Ministry officials noted that the Ministry expects to publish some of the measures of PRIME annually in a public report to the oil and gas industry. As well, it intends on making public all of the benefits achieved, in the spring of 2016, after the conclusion of the PRIME project.

As previously noted, the Ministry's investment in PRIME is significant. Legislators and the public need information on the benefits realized from the implementation of PRIME to enable them to determine whether, in their view, the investment in the new oil and gas system was worthwhile.

Chapter 45
Environment—Landfills Regulation

1.0 MAIN POINTS

Municipalities and private companies own and operate landfills throughout the province. These owners are ultimately responsible for the environmentally-sound operations of landfills. The Ministry of Environment (Environment) is responsible for regulating landfills.

By August 2015, Environment fully implemented two of nine recommendations we initially made in 2013 related to the regulation of landfills. It implemented processes:

- To follow up outstanding groundwater monitoring reports from landfill owners
- To review and approve landfill closure plans

However, it had not yet:

- Finalized landfill guidance documents
- Obtained evidence that landfills are constructed in compliance with approved design plans and confirmed landfill closures are done in accordance with approved closure plans
- Inspected landfills consistent with its established frequency requirements
- Amended operating permits for all high-risk landfills and assessed risks of closed landfills to ensure they undertake groundwater monitoring where required
- Consistently followed guidance for addressing landfill owners' non-compliance with the law and permit requirements

Without proper regulation of landfills, there is an increased risk landfills will contaminate the air, groundwater, or surface water.

2.0 INTRODUCTION

This chapter describes our follow-up of management's actions on the recommendations we initially made in 2013. Our *2013 Report – Volume 2*, Chapter 29 concluded that, for the period of September 1, 2012 to August 31, 2013, the Ministry of Environment did not have effective processes to regulate landfills. We made nine recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Environment's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Environment agreed with the criteria in the original audit.

To do our follow-up, we discussed with management progress they made in meeting our recommendations, reviewed supporting reports, and tested a sample of items to verify the progress.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2015, and Environment's actions up to that date. We found that Environment has implemented two recommendations, made progress on four recommendations, and did not implement one recommendation. We were unable to assess the progress on two recommendations, as described in this chapter.

3.1 Approval Needed for Landfill Guidance Document

We recommended that the Ministry of Environment adopt guidance on landfills from the proposed Environmental Code as operating practice. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Partially Implemented

The Environmental Management and Protection Act, 2010 (Act) was proclaimed and came into effect June 1, 2015. The proclamation of this Act brought into effect the Environmental Code. At the time of our initial 2013 audit, Environment had expected to formalize its expectations for landfill site developments through the Landfill and Transfer Station chapter in the draft Environmental Code. However, the chapter was removed from the final Environmental Code because of concerns raised by municipalities.

As a result, Environment developed a comprehensive landfill guidance document. This document incorporates best practices and standards for the development, operation, and closure of landfills. At August 31, 2015, this guidance document was not formally approved, or available to landfill owners and the public.

Without consistent guidance for landfills, not all landfills may be built and operated to the same required environmental standard.

3.2 Construction or Expansion Requirements Need Verifying

We recommended that the Ministry of Environment obtain evidence, in a timely manner, that landfills are constructed in compliance with approved design plans. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Unable to Assess

Upon completion of construction or expansion of landfills, Environment requires the landfill owner to submit "as-constructed" drawings and a certificate from an authorized engineer that supports that the construction has been carried out per the approved plans. For new landfills, Environment issues a permit to operate after the receipt of this certificate.

Environment noted that none of the landfills that had been constructed or expanded since our 2013 audit had fully completed their construction work. As a result, we were unable to assess if Environment has made progress on this recommendation.

Proper construction of landfills is essential for storing waste in a manner that protects water resources. Proper oversight of the construction is critical so that owners comply with Environment's approved construction/expansion design requirements.

3.3 Need to Assess Operating Compliance More Frequently for High-Risk Landfills

We recommended that the Ministry of Environment perform landfill inspections in accordance with its established frequency requirements. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Partially Implemented

Environment expects and plans for its Environmental Protection Officers (EPOs) to inspect landfills in accordance with predetermined frequency targets. It targets, for annual inspections, landfills it has identified as high-risk (i.e., larger sites or sites with numerous violations in the past). At August 2015, Environment had classified 52 sites as high-risk.

Environment had improved the frequency of inspections of sites since our 2013 audit. Environment did 138 landfill inspections in 2014-15 as compared to 58 landfill inspections in 2012-13 (time of 2013 audit). However, we found 10 out of 30 high-risk sites we tested were not inspected at least annually. In one instance, the length of time since the last inspection was approximately five years.

Timely inspections are a good monitoring tool to ensure that landfills are operating in accordance with best practices and permit requirements.

3.4 More Environmental Impact Monitoring Needed

We recommended that the Ministry of Environment amend operating permits for all high-risk landfills to ensure they require appropriate groundwater monitoring. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Not Implemented

We expected that Environment would amend the operating permits for all high-risk landfills requiring landfill owners or operators to submit groundwater monitoring to Environment at least annually.

We found five of the ten high-risk landfills we tested did not have their operating permits amended to require groundwater monitoring.

Not requiring ongoing groundwater monitoring in operating permits increases the risk that groundwater contamination may not be detected on a timely basis.

We recommended that the Ministry of Environment follow up on groundwater monitoring reports that are not received from landfill owners in a timely manner. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Implemented

We found three landfills, of the five high-risk operating permits that contained groundwater monitoring requirements we tested, did not submit the required reports by the deadline outlined in their operating permit. In all three instances, the EPO assigned to the landfill actively took steps (e.g., phone calls or emails to landfill owners) to obtain these reports.

3.5 Environmental Impact Monitoring at Closed Landfills Needed

We recommended that the Ministry of Environment review and approve landfill closure plans. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Implemented

Environment's landfill guidance document requires landfill owners to submit pre-closure proposals to Environment for approval. The pre-closure proposal outlines the steps the owners are to take when closing the landfill. Seven landfills initiated closure between September 2013 and August 2015.

For two planned landfill closures we tested, we found Environment had reviewed and approved, or was in the process of reviewing and approving the pre-closure proposals supplied by the landfill owners.

We recommended that the Ministry of Environment confirm landfill closures are done in accordance with approved closure plans. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Unable to Assess

Environment noted that none of the landfills that had initiated closure since our 2013 audit had fully completed their closure work. As a result, we were unable to assess if Environment has made progress on this recommendation.

It is important that Environment knows that landfill owners have closed landfills properly to ensure the risk of environmental contamination is reduced.

We recommended that the Ministry of Environment perform a risk assessment of closed landfills and require landfill owners to undertake groundwater monitoring where required. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Partially Implemented

By August 2015, Environment had not completed rating the risk (i.e., high, moderate, low) for closed landfills. Environment has also not created a policy that set out where to perform continued groundwater monitoring.

Environment needs to determine whether any closed landfills need environmental monitoring, and require their owners to monitor and report findings to Environment regularly. Monitoring would allow for early detection of contamination and therefore may result in lower clean-up costs.

3.6 Addressing Non-Compliance Still Needs Improvement

We recommended that the Ministry of Environment establish guidance that will aid staff in consistently addressing landfill owners that do not comply with the law and permit requirements. (2013 Report – Volume 2; Public Accounts Committee agreement April 30, 2014)

Status – Partially Implemented

Environment has established a compliance framework. The compliance framework provides staff with possible alternatives for communicating and enforcing landfill owner non-compliance issues including documenting issues on inspection reports, issuing verbal warnings and notice of violations, and laying charges.

We found two of the ten items we tested had no escalated enforcement action taken but should have. For example, for one landfill that was disposing of unauthorized materials, the EPO had noted the non-compliance on the last two inspections but compliance did not occur and enforcement action was not escalated.

Inconsistent enforcement action increases the risk of landfills not operating to the same environmental standard.

Chapter 46
Heartland Regional Health Authority—Disposing IT and Communication Equipment

1.0 MAIN POINTS

In our *2009 Report – Volume 3*, Chapter 10D, we reported the results of our audit of Heartland Regional Health Authority's (Heartland) processes to secure electronic information during the disposal of information technology (IT) and communication equipment. By July 31, 2015, Heartland has implemented the remaining two recommendations that we had made. It has established procedures for removing confidential information from its ready-for-disposal equipment, and regular testing of such equipment to verify that procedures to remove sensitive information are effective.

2.0 INTRODUCTION

In our *2009 Report – Volume 3*, Chapter 10D, we concluded that Heartland had effective processes to secure electronic information during the disposal of IT and communication equipment except that it needed to document its procedures, follow its approved policy, and verify that procedures for disposal were effective. We made three recommendations.

Our first follow-up, reported in our *2012 Report – Volume 2*, Chapter 46, found that by August 31, 2012, Heartland had implemented one recommendation. This chapter reports the results of our second follow-up on the remaining two recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Heartland's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Heartland's management agreed with the criteria in the original audit.

We reviewed Heartland's equipment disposal policy and procedures, asset management log, and other relevant documents.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2015, and Heartland's actions up to that date. We found that Heartland has implemented the remaining two recommendations.

3.1 Disposal Procedures Documented

We recommended that Heartland Regional Health Authority document its procedures to remove confidential information during disposal of information technology and communications equipment. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – Implemented

Heartland has developed standard procedures for removing confidential information; these procedures supplement its equipment disposal policy. The procedures provide detailed guidance to IT staff on acceptable and approved disposal methods for removing confidential information from different types of equipment.

3.2 Procedures to Verify Removal of Sensitive Information in Place

We recommended that Heartland Regional Health Authority regularly verify that its procedures to remove sensitive information from information technology and communications equipment are effective. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – Implemented

Heartland has established a process to periodically test its ready-for-disposal equipment to verify that its procedures to remove sensitive information are effective.

Heartland documents tests performed in an asset management log. Documentation includes information on items tested, method used, the date of testing, who performed the testing, and the results of the tests.

Chapter 47
Justice—Adult Inmate Rehabilitation

1.0 MAIN POINTS

While the Ministry of Justice (Justice) has made progress on the three recommendations we made in 2008, progress has been slow. Justice has designed reports to improve information available for decision making but has not finished the reporting process. Once complete, it expects these reports will help its employees to better plan, monitor, and enhance inmates' access to programming to address rehabilitation needs. It also expects these reports to help it evaluate the effectiveness of those programs. It is important that Justice promptly implement its reporting processes so that its employees can use this information to improve rehabilitation programming provided to adult inmates before they are released into the community.

2.0 INTRODUCTION

Justice, through its Custody, Supervision and Rehabilitative Services Division, provides programs aimed at reducing reoffending and improving the ability of offenders to reintegrate into their communities.[1]

Our *2008 Report – Volume 1*, Chapter 2 reported the results of our audit of Justice's processes to rehabilitate adult inmates; we concluded Justice had adequate processes to rehabilitate sentenced adult inmates in provincial correctional centres except for completing timely assessments and case plans, and monitoring the delivery of rehabilitation programs. We made four recommendations.

Our *2010 Report – Volume 1*, Chapter 4, reported that by March 2010, Justice had implemented one recommendation related to facilitating inmates' access to key programming. Our *2011 Report – Volume 2*, Chapter 4, reported that by August 2011, although Justice had made some progress, it had not fully implemented the remaining three recommendations. This is our third follow-up.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Justice's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Justice agreed with the criteria in the original audit. We based our findings on discussions with management as well as examination of key documents.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2015, and Justice's actions up to that date. We found that Justice has made further progress to address our recommendations, but still has work to do.

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[1] Ministry of Justice *Annual Report 2014-15*, p. 5.

3.1 Reporting Processes for Improving Access to Rehabilitation Programs Progressing

We recommended that the Ministry of Justice consistently comply with its policies to assess inmates' needs (primary and secondary) and plan relevant programs (2008 Report – Volume 1; Public Accounts Committee agreement August 28, 2008)

Status – Partially Implemented

We recommended that the Ministry of Justice monitor the proportion of inmates accessing planned rehabilitations programs before the inmates are released into the community and enhance access to rehabilitation if required. (2008 Report – Volume 1; Public Accounts Committee agreement August 28, 2008)

Status – Partially Implemented

Justice continued to increase its capacity for completing timely assessments of inmate's rehabilitation needs for case planning by working to improve information available for decision making. In 2015, Justice designed reports that included an inmate's custody admission date, custody discharge date, sentence length, risk assessments completed, rehabilitation needs identified, rehabilitation programs planned, and program completion dates.

By August 31, 2015, Justice had not yet finished compiling all data to complete this reporting process. Once completed, it expects the reports will help correctional workers to more effectively manage their caseloads so that risk assessments and case plans are developed timely. The reports will also help management to monitor achievement of case management policies and inmate access to programming, and take corrective action as needed (e.g., update processes, adjust caseloads, provide additional training).

In 2015, Justice implemented a new information technology system, Criminal Justice Information Management System (CJIMS), for adult offender case management. Within the next few years, management plans to develop reports in the new system to improve efficiency and timeliness of its reporting process.

3.2 Evaluation of Inmate Rehabilitation Programs Evolving

We recommended that the Ministry of Justice monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates. (2008 Report – Volume 1; Public Accounts Committee agreement August 28, 2008)

Status – Partially Implemented

Justice continued to increase its capacity to report about timely inmate access to rehabilitation programs and the evaluation of those programs. At August 2015, Justice plans to develop additional reports in its new case management system, CJIMS, to help it monitor re-offending rates in relation to rehabilitation programs.

In the interim, Justice is developing a process to track re-offence rates following release from custody of inmates who have completed planned rehabilitation programs. Justice has completed some analysis at one of the provincial correctional centres; it plans to use this analysis to develop a province-wide process for analyzing re-offence rates in relation to rehabilitation programs.

Chapter 48
Justice—Maintaining the Integrity of Offender Data

1.0 MAIN POINTS

The Ministry of Justice (Ministry) is responsible for tracking offenders in provincial correctional facilities and within the community (e.g., those offenders subject to bail). The Ministry uses an information management system to track release dates of prisoners. If information in its system is not accurate, offenders may be released from prison at the incorrect time.

By August 2015, the Ministry implemented four of the six recommendations we initially made in our 2012 audit of the integrity of offender data. It developed a risk-based audit plan for auditing offender data, ensured staff who access the system have signed confidentiality agreements, encrypted and patched the system based on threat and risk assessments, and provided routine reports to senior management related to offender release errors.

The Ministry needs to ensure supervisors review offender information entered by clerical staff, and unneeded system user access is removed promptly.

2.0 INTRODUCTION

As of August 2015, the Saskatchewan correctional system was responsible for 11,173 offenders with 1,833 offenders in custody and 9,340 offenders under community supervision.[1]

The Ministry uses the Criminal Justice Information Management System (CJIMS) to track offenders in provincial correctional facilities and within the community (for example, those subject to conditional sentence, probation, or bail). CJIMS tracks offender location, sentence lengths, incidents, risk or needs assessments for offenders, special programs (e.g. community training residences), and release dates. As of June 1, 2015, CJIMS replaced the Ministry's previous system called Corrections Management Information System (CMIS).

CJIMS is critical for the management and transporting of offenders. If offender release date information is not accurate, offenders may be let out of prison at the incorrect time. Also, the Ministry relies on the confidentiality, availability, and integrity of information in CJIMS to keep safe both offenders and law enforcement officers charged with their care.

Our *2012 Report – Volume 2* concluded that the Ministry did not have effective controls to maintain the integrity of offender data and included six recommendations. This chapter reports the results of our first follow-up on those recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the

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[1] Per Ministry of Justice officials (September 2015).

Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

We examined key documents, including policies and procedures, interviewed employees of the Ministry, and tested the timeliness of the removal of unneeded user access to CJIMS.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2015, and the Ministry's actions up to that date. We found that the Ministry had implemented four out of six of our recommendations.

3.1 Ministry Using Risk-Based Audit Plan

We recommended that the Ministry of Justice use an approved risk-based plan for auditing offender files and Corrections Management Information System[2] data. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

The Ministry created the Sentence Management team in 2008. The team undertakes annual audits on active offender files at various correctional facilities and Community Corrections offices. The audits review the accuracy of sentence calculations, and are designed to detect system errors before the release date. The Ministry considered sentence calculation errors to be the most significant in that they impact offenders' release dates. The audits also look for other errors such as missing documentation, incorrect alerts within CJIMS, or incorrect dates for warrants with no impact on the expected release date.

In 2014-15 and 2015-16, the Sentence Management team developed risk-based audit plans. These plans detail areas of high risk, and focuses the teams' audit work on those areas. Senior Ministry officials approved these plans.

3.2 Review Processes Continue to Need Improvement

We recommended that the Ministry of Justice implement processes to require verification of Corrections Management Information System data entry. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Partially Implemented

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[2] Subsequent to our 2012 audit, the Ministry replaced Corrections Management Information System (CMIS) with CJIMS. The recommendation, although directed at CMIS, also applies to CJIMS.

In our 2012 audit, we highlighted the importance of work of the Sentence Management team in identifying errors in release dates and correcting them. We also noted that to fix the identified errors, the Sentence Management team either directly adjusted system data, or asked a probation officer or admitting staff to make the correction. At that time, the Ministry did not have a process to make sure the correction was made properly.

Since our 2012 audit, the Ministry changed its processes to require a second review of files and data changes. When the Sentence Management team asks a probation officer or admitting staff to make the correction to CJIMS, the Sentence Management team enters this request in its spreadsheet, and reviews to confirm the change was correctly made. For 2014-15 audits completed by the Sentence Management team that we reviewed, all files and data changes contained evidence of review by two individuals.

To reduce the errors prior to the Sentence Management team review, the Ministry developed a policy, which came into effect on September 1, 2014. The policy requires supervisors to confirm the data entered into the CJIMS by clerical staff matches the information on the individual's court order. Probation officers assigned to the individual must also review that the data within the CJIMS matches what is on the court order. All individuals who perform these levels of review must place their initials on the court order indicating they completed the review.

At August 2015, all staff were not yet following this policy. None of the ten court orders from community corrections offices that we reviewed contained either a supervisor's or a probation officer's initials. Consistent review of data entered into CJIMS will reduce the magnitude of errors.

3.3 Confidentiality Agreements Signed

We recommended that the Ministry of Justice ensure all required confidentiality agreements for Corrections Management Information System users are completed and signed. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

CJIMS utilizes two-factor authentication (i.e., a key fob is also required to log in). Until the Ministry has received a signed confidentiality agreement from an employee, the employee is not to be set up as a new user in CJIMS, or provided a fob.

Since our 2012 audit, the Ministry keeps a spreadsheet listing the signed confidentiality agreements received from system users. For 10 individuals, we verified that signed confidentiality agreements were on file.

3.4 User Access Removal Still Not Timely

We recommended that the Ministry of Justice follow its policy to ensure that unneeded Corrections Management Information System user access is removed on a timely basis. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Partially Implemented

The Ministry has developed a policy that requires employees to have their CJIMS access removed once they have left the Ministry. The Ministry also collaborated with the Ministry of Central Services to align deactivation of CJIMS users with network user access removal. The Ministry receives, on a regular basis, listings of employees who no longer require network access. It compares this listing to its CJIMS user listing to identify instances where CJIMS access needs to be removed.

However, in 2014-15, we found 3 out of 10 users tested did not have their CJIMS access removed or disabled on a timely basis. In one instance, one user did not have their access to CJIMS removed until 70 days after the last day of their employment with the Ministry. Not removing unneeded user access promptly increases the risk that an unauthorized person could gain system access and obtain confidential information about offenders or inappropriately modify CJIMS systems or data.

3.5 CJIMS is Encrypted and Patched

We recommended that the Ministry of Justice determine and monitor encryption, patching and logging requirements for the Corrections Management Information System based on a threat and risk assessment. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

A service provider hosts CJIMS (the software and the servers on which it resides) and the offender data it contains. CJIMS data is encrypted and software is maintained and patched on a regular basis. The system also has logs that track when and who updates/views a record in CJIMS.

As part of its threat and risk assessment processes, the Ministry hired a third party to electronically look for vulnerabilities (weaknesses or flaws) in the security of CJIMS when it upgraded to a new version of CJIMS. While this test did not identify any high risk issues, it noted a number of medium and low risk issues. The Ministry has addressed the medium risk issues. The Ministry has scheduled another test in fall 2016 to coincide with the next CJIMS upgrade.

3.6 Incorrect Release Date Risks Identified and Reported

We recommended that the Ministry of Justice provide senior management with routine reports that completely described the risk of incorrect offender release dates, how that risk is managed, and all inappropriate offender releases. (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

At the completion of each sentence management audit, the Sentence Management team provided senior management with a summary report that highlighted all errors. In addition, at the end of the year (in conjunction with its next year's risk-based audit plan), the Sentence Management team gave the Associate Deputy Minister of Custody, Supervision, and Rehabilitation Services a summary of the results of all audits completed.

Also, the Ministry established the Release Error Review Committee (RERC) in January 2015. The RERC is composed of various members of senior Ministry management as well as a liaison from the RCMP F Division.[3] At its monthly meetings, the Committee facilitated round table discussions of release errors and how to mitigate related risks.

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[3] RCMP "F" Division denotes those RCMP officers working in and around the Province of Saskatchewan.

Chapter 49
Justice—Managing Labour Costs Related to Absenteeism

1.0 MAIN POINTS

This chapter describes our second follow-up of the actions of the Ministry of Justice[1] (Ministry) on two recommendations we initially made in our 2010 audit of the Ministry's processes to manage absenteeism and associated labour costs at provincial adult correctional centres. We report that the Ministry has implemented the two remaining recommendations. It implemented a policy for approving and handling corrections workers' trading of shifts, and, by July 31, 2015, it better controls and monitors changes to the work schedules of corrections workers.

2.0 INTRODUCTION

The Ministry is responsible for managing provincial correctional centres and labour costs under *The Correctional Services Act*. The Ministry employs over 1,400 corrections workers who work in four adult correctional centres located in Regina, Saskatoon, and two located in Prince Albert.

Correctional centres require 24-hour staff coverage to keep inmates, corrections workers, and the public safe. As a result, when corrections workers are absent from work, another worker must be called in to cover their shift. Overtime costs may occur when the replacement workers have already worked their required regular hours, or where corrections workers are called in on their regular day off. By not effectively managing absenteeism and the related labour costs, the Ministry faces the risk of excessive costs and undetected abuse of absenteeism.

Our *2010 Report – Volume 1*, Chapter 4 concluded that the Ministry did not have adequate processes to manage provincial adult correctional centres' labour costs related to absenteeism and included eight recommendations. By December 2012, as reported in our *2013 Report – Volume 1*, Chapter 27, the Ministry had implemented six of those eight recommendations. This chapter reports the results of our second follow-up on the remaining two recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit. We based our findings on review of Ministry policies and an examination of corrections workers' timesheets.

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[1] Effective May 25, 2012, the responsibilities of corrections and policing in Saskatchewan became a part of the Ministry of Justice.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2015, and the Ministry's actions up to that date. We found the Ministry has implemented our two remaining recommendations.

3.1 Employees Recording and Being Paid for Hours Worked

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g., approval of shift trades, pay out of overtime). (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) pay correction workers for actual hours worked. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

In 2013,[2] we reported that management at correctional centres had increased their monitoring of overtime usage and that out-of-scope supervisors were controlling changes to employee work schedules to assist in minimizing labour costs where possible. At December 2012, the Ministry was investigating the use of scheduling software to generate further efficiencies. As of July 31, 2015, the Ministry has piloted the scheduling software at the Regina Correctional Centre and plans to complete further analysis in fall 2015 to determine whether to implement this software at the other correctional centres.

During our original audit and first follow-up, we found that shift trades made between corrections workers were impacting the correct completion of timecards, and the correct payment to corrections workers. Certain correctional centres were operating under Letters of Understanding[3] that allowed corrections workers to engage in shift trades with one another without management's involvement or knowledge. As of July 31, 2015, the Ministry has renegotiated these Letters of Understanding and has implemented a policy addressing shift trades in adult correctional centres. The policy stipulates that:

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[2] Chapter 27 of our *2013 Report – Volume 1*.

[3] The Letters of Understanding were negotiated between the government and the union representing corrections workers.

- Corrections workers must sign shift trade forms to document their agreement to the shift trade, and the director of the correctional centre (or designate) must authorize these forms
- Overtime shifts cannot be traded and a shift trade cannot result in any additional costs (e.g., overtime) to the Ministry
- Corrections workers will be paid for the actual shift worked. Under the Ministry's previous process, corrections workers were paid for their originally scheduled shift that was traded (i.e., paid for hours not really worked)

For the corrections workers' timesheets at the four adult correctional centres we tested, we found that overtime incurred was reasonable and subject to appropriate prior approval by an out-of-scope supervisor, and that corrections workers were paid for actual hours worked.

Chapter 50
Justice—Protecting Saskatchewan Data

1.0 MAIN POINTS

This chapter reports the results of our second follow-up on a recommendation we initially made in 2011 that the Ministry of Justice consider the benefits, in consultation with Saskatchewan's Information and Privacy Commissioner, of changes to Saskatchewan legislation to mitigate risks related to the *USA Patriot Act*.[1]

At September 30, 2015, the Ministry of Justice had not implemented the recommendation. Since September 2013, the date of our last follow-up, the Ministry has not consulted with the Commissioner on risks posed by the *USA Patriot Act* or its successor, the *USA Freedom Act*,[2] or how legislative changes could mitigate those risks.

2.0 INTRODUCTION

This is our second follow-up of management's actions on a recommendation we initially made in *2011 Report – Volume 2*, Chapter 20 resulting from a study undertaken at the request of the Standing Committee on Public Accounts (Committee). The Committee was concerned about the accessibility of Saskatchewan government data that may reside on computers in the United States (US), travel electronically through the US, or that resides on service provider computers in Saskatchewan but be accessible to US parent companies given the provisions of the *USA Patriot Act*. As noted in **Figure 1**, in June 2015, this Act was replaced with the *USA Freedom Act* that has similar provisions in this area.

Figure 1—The *USA Patriot Act* and the *USA Freedom Act*

The *USA Patriot Act* introduced changes to US laws that permitted US law enforcement agencies to require US persons or entities to furnish information. The orders could be applied to information in the US, Canada, or elsewhere. A US company could be ordered to provide information that existed (for example on a computer server) in the US. But the US company could also be ordered to provide information to which it had access even if that information was in Canada. The US company subject to the order was not permitted to reveal the existence of the order or that it provided information. On June 1, 2015, The *USA Patriot Act* expired.

On June 2, 2015, the *USA Freedom Act* came into effect. The *USA Freedom Act* does not significantly affect the operation of the orders described above, except that the court that grants the orders has some additional requirements for transparency in terms of its opinions and companies receiving surveillance requests can publicly report limited information (e.g., numbers of requests they receive).*

* Source: www.ipblog.ca/?p=868?utm_source=Mondaq&utm_medium=syndication&utm_campa (6 October 2015).

In 2011, we reported that the protections put in place by the then Information Technology Office (now Ministry of Central Services) could not ensure Saskatchewan data would not be accessible through the operation of the *USA Patriot Act*. We made two recommendations. Our *2013 Report – Volume 2* reported that the Ministry of Central Services had implemented its recommendation, but that the Ministry of Justice had not implemented its recommendation.

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[1] The *USA Patriot Act* refers to United States Public Law 107-56.
[2] The *USA Freedom Act* refers to United States Public Law 114-23.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2015, and the Ministry's actions up to that date. We found that the Ministry has not implemented the recommendation.

3.1 Consultation Needed on Legislation to Mitigate Risks to Saskatchewan Data

We recommended that the Ministry of Justice consider the benefits, in consultation with Saskatchewan's Information and Privacy Commissioner, of changes to Saskatchewan's general access and privacy legislation, which could serve to mitigate risks related to the *USA Patriot Act*. (2011 Report – Volume 1; Public Accounts Committee agreement June 25, 2012)

Status – Not Implemented

Since September 2013 (the date of our last follow-up), the Ministry of Justice asked the Information and Privacy Commissioner, appointed July 1, 2014, to propose changes to Saskatchewan's general access and privacy legislation, *The Freedom of Information and Protection of Privacy Act*. The Commissioner provided the Ministry with his proposals and summarized them in the Commissioner's *2014-15 Annual Report*.[3]

However, since 2013, the Ministry has not specifically consulted with the Commissioner on risks posed by the *USA Patriot Act* or its successor, the *USA Freedom Act*, or how legislative changes could mitigate those risks. As such, the Commissioner's proposals did not include specific consideration of those risks. The Commissioner advises that he intends to discuss the risks with the Ministry.

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[3] www.oipc.sk.ca/Annual_Reports/Annual_Report_2014-2015.pdf, pp. 10-19 (7 October 2015).

Chapter 51
Kelsey Trail Regional Health Authority—Medical Equipment Maintenance

1.0 MAIN POINTS

By July 31, 2015, Kelsey Trail had not yet fully implemented three of the recommendations initially made in our *2010 Report—Volume 2*. To better manage the risk that medical equipment is not maintained as expected and required, Kelsey Trail needs to do the following. It needs to maintain a current list of all medical equipment, keep that equipment maintained in accordance with required standards, and give its Board and senior management better reports on the state of its medical equipment.

2.0 INTRODUCTION

Kelsey Trail is responsible for the overall quality of care of its patients. To provide a high level of patient care, Kelsey Trail uses medical equipment to help diagnose and treat patients. In 2014-15, it spent $1.37 million on capital equipment purchases[1] and $1.64 million on repairs and maintenance of medical equipment.[2]

This chapter reports the results of our second follow-up to assess Kelsey Trail's progress in addressing three of the seven recommendations we initially made in our *2010 Report – Volume 2*, Chapter 11C. These recommendations are designed to improve Kelsey Trail's processes to maintain its medical equipment. In our *2012 Report – Volume 2*, Chapter 47, we reported that, by August 2012, Kelsey Trail had implemented three recommendations, had not yet implemented three recommendations, and one recommendation was no longer relevant.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Kelsey Trail's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

We reviewed Kelsey Trail's policy and procedure manuals, capital asset information, reports from its computerized maintenance management system, and other relevant documents.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each outstanding recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2015, and Kelsey Trail's actions up to that date. We found that while Kelsey Trail had made some progress, it had not fully implemented the remaining three recommendations.

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[1] Kelsey Trail Regional Health Authority, *2014-15 Annual Report*, p. 64.
[2] Ibid., p. 84.

3.1 Complete and Current List of All Medical Equipment Needed to Facilitate Timely Maintenance

We recommended that Kelsey Trail Regional Health Authority maintain a complete and current list of all medical equipment, its location, and its maintenance record. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

Status – Partially Implemented

We recommended that Kelsey Trail Regional Health Authority maintain all equipment in accordance with the required standards. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

Status – Partially Implemented

We found that 35% of the medical equipment purchases that we examined were not included in Kelsey Trail's computerized maintenance management system. Kelsey Trail's management was aware that its listing of medical equipment, produced from the system, was not complete or accurate. It continued to refine and correct its listing including the location and maintenance record. Management indicated that Kelsey Trail was reviewing its processes of adding and deleting equipment in its electronic system as it noted that when equipment was added to service or retired, the system was not always properly updated.

In our review of information in Kelsey Trail's system, we found Kelsey Trail had not assessed approximately 600 pieces of medical equipment to determine if preventative maintenance work was needed.

In addition, management indicated that Kelsey Trail was developing a policy so that staff would have clear expectations on which equipment to enter into the system and when. It expects this policy will help it develop and maintain a complete and current list of all its medical equipment. Lack of a complete and current list of all medical equipment increases the risk that Kelsey Trail may not appropriately manage the life cycle of its equipment. Without this information, equipment may not be maintained in accordance with the required standards.

3.2 Better Reporting to the Board and Senior Management Needed

We recommended that Kelsey Trail Regional Health Authority provide reports to the Board of Directors and senior management on the state of medical equipment at all of its healthcare facilities. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

Status – Partially Implemented

Kelsey Trail continued to provide limited information to its Board and senior management on the state of medical equipment at all of its healthcare facilities. Reports did not identify the risk levels associated with using equipment not maintained in accordance with its requirements. Management indicated that Kelsey Trail was exploring another electronic system to generate understandable and meaningful reports. Management also indicated that turnover in biomedical staff contributed to delays in improving its reporting to the Board and senior management.

Not having regular reports on the state of all medical equipment increases the risk that senior management and the Board do not know whether medical equipment is maintained as expected and may not have sufficient information to make informed decisions about medical equipment.

Chapter 52
Regina Public and Regina Separate School Divisions—Physical Safety of Students

1.0 MAIN POINTS

The Education Act, 1995 (Act) delegates responsibility for student safety to school divisions. This chapter reports on the status at September 21, 2015 of 17 recommendations we made in our 2013 audit of the processes of Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81 to provide for the physical safety of students at school.

Regina School Division No. 4 (Regina Public) had implemented recommendations related to safety manuals for science labs and shops, emergency kits, and safety training for staff. It had progressed on recommendations relating to accessibility of safety components (e.g., eyewash stations), signage, and physical security. It needs to develop requirements for air quality testing, and enable its Board to monitor the performance of its safety initiatives.

Regina Roman Catholic School Division No. 81 (Regina Separate) had implemented our recommendation regarding review and sign-off of emergency response plans. It had progressed on recommendations relating to new safety manuals, improved emergency kits and other safety components, and on reviewing physical security. It needs to define the number of first aid trained staff required in each school, provide guidance for placement of safety items (e.g., first aid kits), develop requirements for air quality testing, and enable its Board to monitor the performance of its safety initiatives.

2.0 INTRODUCTION

Our *2013 Report – Volume 1*, Chapter 13 reported that for the period March 1, 2012 to February 28, 2013, Regina Public and Regina Separate had, other than for the following, effective processes to provide for the physical safety of students at school. They needed processes to:

- Assess the level of physical security required for schools
- Set requirements for safety training to ensure an adequate number of staff are trained in the event of an emergency situation
- Develop requirements for air quality testing to be conducted when construction takes place during the school year
- Develop and implement safety manuals for science and practical and applied arts programs and ensure safety equipment is functioning and accessible
- Conduct assessments of appropriate locations for placement of safety-related signage and items, and provide guidance for maintaining consistent emergency response kits in schools
- Develop and report on student safety performance measures

In addition, Regina Separate needed processes to ensure schools' emergency response plans were comprehensive and consistent. We made eight recommendations directed to Regina Public and nine recommendations directed to Regina Separate.

This chapter reports the results of our assessment of each division's progress in implementing our recommendations. To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the school divisions' progress in implementing our recommendations, we used the relevant criteria from the original audit. Management of the school divisions agreed with the criteria in the original audit.

To perform our follow up on our recommendations we discussed actions taken with management, reviewed relevant documentation, and observed whether actions had been implemented in selected schools.

3.0 STATUS OF RECOMMENDATIONS—REGINA SCHOOL DIVISION NO. 4

This section sets out each recommendation, including the date on which the Standing Committee on Public Accounts agreed with the recommendation, the status of the recommendation at September 21, 2015, and Regina Public's actions up to that date. We found that Regina Public had implemented three recommendations, made progress on three recommendations, and had not yet addressed two recommendations.

3.1 Key Safety Measures Implemented

We recommended that Regina School Division No. 4 develop and implement safety manuals to be used by schools to guide safety and maintenance for all science labs and shop areas in its practical and applied arts programs. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Implemented

Regina Public contracted a third party to conduct shop safety audits and provide a shop safety handbook. The third party also adapted *Safety in the K-12 Science Classroom* to create science safety manuals for elementary schools and for high schools. The Division gave the manuals to schools for use in the 2015-16 school year.

We recommended that Regina School Division No. 4 review its practices for emergency response kits and provide guidance to schools on the required contents of kits. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Implemented

Regina Public developed an emergency response kit checklist and provided it to schools. It has made principals responsible for maintaining the emergency response kits and ensuring that they are regularly inspected. During our visits to selected schools, we observed compliance with the checklist.

We recommended that Regina School Division No. 4 set expectations for safety training that school staff are required to take including defining the number of first aid trained staff required in each school. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Implemented

Regina Public has implemented guidance for schools; it expects schools to have at least three staff members trained in first aid present in a school building at all times. The Division also tracks which staff members have received specific safety training (e.g., Workplace Hazardous Materials Information Systems Training). Division management advised that the Division plans to review this information with principals on an annual basis.

3.2 Improved Physical Security and Student Safety Initiatives Underway

We recommended that Regina School Division No. 4 develop processes to keep safety components (e.g., eyewash stations, emergency exits) accessible in science labs and shop areas. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Partially Implemented

Regina Public management worked with schools to form a working group with practical and applied arts teachers. This working group was tasked with determining requirements and developing guidelines. Regina Public hired a third party to do a safety audit; the audit determined many of the shops needed a standard eyewash station. In February 2014, the Division started replacing eyewash stations and emergency eyewash kits. Division management advised that the Division expected to complete installation of eyewash stations in all shops by the end of 2015.

We recommended that Regina School Division No. 4 determine the appropriate location for placement of safety-related signage and safety items such as fire extinguishers and first aid kits in school. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Partially Implemented

Regina Public worked with a contractor and schools to provide signage regarding general safety, first aid, and defibrillator machines. It determined the best locations for this signage and safety equipment. However, we observed examples of inadequate and inconsistent signage in the schools we visited (e.g., inadequate signage and location for first aid kit).

We recommended that Regina School Division No. 4 assess the level of physical security required for each school in the division. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Partially Implemented

Regina Public worked with principals to assess physical security risks at their schools. The Division determined that it should install video surveillance at all schools to help mitigate this risk. The Division was in process of purchasing video surveillance systems for its schools.

3.3 Requirements for Air Quality Testing Needed

We recommended that Regina School Division No. 4 develop requirements for air quality testing to be conducted when construction takes place during the year. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Not Implemented

The Education Act, 1995 delegates to boards of school divisions responsibility for providing and maintaining school accommodation,[1] and for maintaining "satisfactory standards of comfort, safety and sanitation" for students.[2] As indicated in our 2013 audit, it is important to maintain air quality during construction to ensure no harmful contaminants are released and that the air is safe for students and staff. During that audit, we found examples of construction impacting air quality. At September 21, 2015, while Regina Public had processes to assess air quality, it had not set a requirement to test air quality when construction takes place during the school year. We noted the Division planned certain construction to take place during the school year.

3.4 Better Processes to Monitor Student Safety Needed

We recommended that Regina School Division No. 4 develop performance measures and targets related to student safety and report on these measures and targets periodically to its Board. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Not Implemented

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[1] *The Education Act, 1995*, section 85(1)(d).
[2] Ibid., section 85(1)(w).

Regina Public does not give its Board information on the success of its student safety initiatives; it had not developed performance measures or targets to facilitate assessing and reporting on student safety. Developing measures and targets related to student safety, and reporting on these to its Board, would allow the Division to monitor the performance of its safety initiatives.

4.0 STATUS OF RECOMMENDATIONS—REGINA SEPARATE SCHOOL DIVISION NO. 81

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 21, 2015, and the Regina Separate's actions up to that date. We found that Regina Separate has implemented one recommendation, made progress on four recommendations, and has not yet addressed four recommendations.

4.1 Emergency Response Plans in Place

We recommended that Regina Roman Catholic Separate School Division No. 81 formally document its annual review and sign-off of emergency response plans. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Implemented

Regina Separate provided school principals with emergency response plan templates; it expected principals to adapt these for each school. Schools submitted completed plans to the Division head office for review and approval.

4.2 New Safety Manuals, Improved Emergency Kits and Safety Components, and Reviews of Physical Security Underway

We recommended that Regina Roman Catholic Separate School Division No. 81 develop and implement safety manuals to be used by schools to guide safety and maintenance for all science labs and shop areas in its practical and applied arts programs. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Partially implemented

Regina Separate contracted a third party to provide practical and applied arts shops and science labs with safety manuals. The Division expects the third party to complete these manuals in fall 2015.

We recommended that Regina Roman Catholic Separate School Division No. 81 review its practices for emergency response kits and provide guidance to schools on the required contents of kits. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Partially Implemented

Regina Separate provides school administrators with emergency response guides. These guides include a section called "Emergency Evacuation Kits" that lists materials that schools are to include in the kits. However, in our examination at selected schools, we observed some inconsistency in schools following these guidelines.

We recommended that Regina Roman Catholic Separate School Division No. 81 develop processes to keep safety components (e.g., eyewash stations, emergency exits) accessible in science labs and shop areas. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Partially Implemented

Regina Separate reviewed practical and applied arts safety at each of the Division's high schools. It identified safety gaps, and provided recommendations to the Division's management to address the issues. Division management accepted these recommendations and plans to follow up the status of their implementation in the fall of 2015. Division management also advised that the Division is planning to complete a review of science labs.

We recommended that Regina Roman Catholic Separate School Division No. 81 assess the level of physical security required for each school in the division. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Partially Implemented

Regina Separate has developed a draft security template to help assess the level of physical security required for each school. The Division expects schools to use the template to determine the level of security required for their school. At September 21, 2015, the Regina Separate had not provided the template to schools.

4.3 Key Improvements to Secure Student Safety Needed

We recommended that Regina Roman Catholic Separate School Division No. 81 define the number of first aid trained staff required in each school. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Not Implemented

In setting requirements for first aid trained staff, *The Occupation Health and Safety Regulations, 1993* considers the number of employees in a school, rather than the entire number of people in the school, including students. As indicated in our 2013 audit, we are of the view that the Regina Separate must consider students as well as employees in defining the number of first aid trained staff. Regina Separate had not defined the number of first aid staff required in each school.

We recommended that Regina Roman Catholic Separate School Division No. 81 determine the appropriate location for placement of safety-related signage and safety items such as fire extinguishers and first aid kits in schools. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Not Implemented

Regina Separate division management advised that the Division has not provided guidance on signage for first aid kits or other safety equipment.

We recommended that Regina Roman Catholic Separate School Division No. 81 develop requirements for air quality testing to be conducted when construction takes place during the school year. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Not Implemented

The Education Act, 1995 delegates to boards of school divisions responsibility for providing and maintaining school accommodation,[3] and for maintaining "satisfactory standards of comfort, safety and sanitation" for students.[4] As indicated in our 2013 audit, it is important to maintain air quality during construction to ensure no harmful contaminants are released and that the air is safe for students and staff. At September 21, 2015, while Regina Separate had processes to assess air quality, it has not set a requirement to test air quality when construction takes place during the school year. We noted the Division planned certain construction to take place during the school year.

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[3] *The Education Act*, 2015, section 85(1)(d).
[4] Ibid., section 85(1)(w).

4.4 Better Processes to Monitor Student Safety Needed

We recommended that Regina Roman Catholic Separate School Division No. 81 develop performance measures and targets related to student safety and report on these measures and targets periodically to its Board. (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

Status – Not Implemented

Regina Separate provides reports to its Board that describe the Division's policies regarding student safety and state that certain guidelines are in place. However, it had not developed performance measures or targets to facilitate assessing and reporting on student safety. Developing measures and targets related to student safety, and reporting on these to its Board, would allow the Division to monitor the performance of its safety initiatives.

Chapter 53
Saskatchewan Crop Insurance Corporation— AgriStability Benefits

1.0 MAIN POINTS

Saskatchewan Crop Insurance Corporation (SCIC) administers the AgriStability program to assist producers who experience large income losses. The provincial and federal governments share the cost of the AgriStability program.

By July 31, 2015, SCIC had made a number of changes to its processes related to the AgriStability program. It implemented processes to identify and handle potential conflicts of interest of staff handling claim files. It documented the procedures it uses to review the reasonableness of its AgriStability benefit estimate. It included adequate disclosure, in its financial statements, of uncertainty associated with its year-end estimate of the AgriStability program benefits. However, SCIC needs to document its analysis of differences in estimates and actual results, and set targets for all of its performance measures related to the AgriStability program.

2.0 INTRODUCTION

This chapter describes our follow up of management's actions on the five recommendations we made in our 2013 audit of SCIC's processes to determine AgriStability program benefits reported in our *2013 Report – Volume 1*, Chapter 7. We had concluded that, other than for several areas, SCIC's processes were effective.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SCIC's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SCIC's management agreed with the criteria in the original audit.

To do our follow up, we had discussions with management on the progress they made in meeting our recommendations, and reviewed supporting reports and information to verify the progress.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2015, and SCIC's actions up to that date. We found that SCIC has implemented three recommendations and has work to do on the other two.

3.1 Potential Conflicts of Interest Monitored

We recommended that the Saskatchewan Crop Insurance Corporation actively monitor to ensure its staff do not process AgriStability files where a real or perceived conflict of interest could arise. (2013 Report – Volume 1; Public Accounts Committee agreement November 26, 2014)

Status – Implemented

SCIC requires each of its staff members to annually complete a conflict-of-interest declaration. On the declaration, staff lists any potential conflicts of interest that may arise based on familial, friend, or business relationships that may occur with client files SCIC processes.

Once the conflicts of interest have been declared, this information is input into SCIC's system used to track workflow of AgriStability claim files. The system will not allow staff to process files for anyone with which they have declared a potential conflict of interest. When staff (independent of the staff who processed the file) are assigned to review an AgriStability file, the system provides a warning when the assigned reviewer has declared a conflict of interest for that particular file.

3.2 Better Documentation of Benefit Estimation Process Needed

We recommended that the Saskatchewan Crop Insurance Corporation document its procedures for reviewing the assumptions and reviewing the calculation of the estimate of benefits for its AgriStability program. (2013 Report – Volume 1; Public Accounts Committee agreement November 26, 2014)

Status – Implemented

SCIC works closely with the federal government's department of Agriculture and Agri-Food Canada (AAFC) and the Ministry of Agriculture to calculate its estimate of the benefits for the AgriStability program. The purpose of having Saskatchewan representatives providing input into the development of the estimate is to ensure the calculation includes consideration of the Saskatchewan agricultural climate.

SCIC has documented the procedures it uses to review the estimate including the underlying assumptions. For the semi-annual AgriStability forecasts (February and August), SCIC and Agriculture work together to gather information to give to AAFC. SCIC and the Ministry have documented steps staff must follow (e.g., relevant information to gather on market prices, processes to review the assumptions used by AAFC, deadlines for when to complete each step, sign off requirements by Agriculture staff to show they have reviewed each component of the estimate, and final sign off requirements of the AgriStability estimate by SCIC and Agriculture executives).

We recommended that the Saskatchewan Crop Insurance Corporation establish processes to compare its estimates of past years' benefits for its AgriStability program to actual benefits to help improve the estimate process for the AgriStability benefits. (2013 Report – Volume 1; Public Accounts Committee agreement November 26, 2014)

Status – Partially Implemented

SCIC has used historical data (e.g., prior years) to quantify the impact that the Growing Forward 2[1] formula would have on the AgriStability program. Use of historical data has helped, to some extent, both SCIC and Agriculture evaluate and assess information related to AgriStability benefits estimate that AAFC provides. Management indicated that its analysis includes reviewing prior years' data and calculations; however, it did not document this analysis.

3.3 Performance Targets Needed

We recommended that the Saskatchewan Crop Insurance Corporation set targets for its performance measures related to its AgriStability program and report to senior management on its progress in achieving those targets. (2013 Report – Volume 1; Public Accounts Committee agreement November 26, 2014)

Status – Partially Implemented

SCIC has created and approved a Corporate Plan. This plan includes some specific performance measures to assess the performance of the AgriStability Program. SCIC makes periodic progress reports to senior management. Also, its annual report includes these performance measures along with information on how SCIC performed.

However, while SCIC has set a target for a few of these performance measures, it has not done so for all. For example, it has not specified a target percentage for its service measure (the percentage of calls received in the AgriStability call centre answered within seven seconds) or its customer satisfaction measure (based on customer surveys, 90% of respondents were satisfied with the service provided). Setting targets help agencies decide the extent of work effort and focus expected within a stated period, and help agencies determine the extent of resources required. Also without specifying a target for each performance measure and reporting on its progress towards attaining the target, SCIC cannot adequately monitor the AgriStability program to determine if the program is meeting its goals and objectives.

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[1] Growing Forward 2 is the program under which AgriStability benefits are assessed and paid to producers.

3.4 Year-End Estimate Process Set

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1; Public Accounts Committee agreement November 26, 2014)

Status – Implemented

In conjunction with the Agriculture and AAFC, SCIC developed a range estimate for the uncertainty of the AgriStability benefits liability estimate and disclosed it in its annual report. The estimated amount for 2014-15 was $93.2 million with an estimated range of $53.2 million and $123.8 million.

Chapter 54
Saskatchewan Liquor and Gaming Authority—Liquor Procurement

1.0 MAIN POINTS

Under *The Alcohol and Gaming Regulation Act, 1997,* the Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) is responsible for the distribution, control, and regulation of liquor in Saskatchewan.

Liquor & Gaming's mission is "serving Saskatchewan people with excellence contributing to economic growth through the socially responsible distribution and regulation of liquor and gaming products..."[1] Liquor & Gaming aims to achieve a balance between generating revenue, promoting responsible use of alcohol, and providing customers with product selection and value. In 2014-15, Liquor & Gaming generated gross revenue of $622.4 million from liquor sales.[2]

This chapter reports the status of the five recommendations we initially made in our 2012 audit of Liquor & Gaming's processes to procure liquor that were outstanding from our 2013 follow up.

By March 31, 2015, Liquor & Gaming had implemented two recommendations. It developed written procedures for staff to use to objectively select all liquor products and formally evaluated new liquor products during the year using these procedures.

Liquor & Gaming also made progress on our recommendation to develop and use written procedures for monitoring product performance. However, Liquor & Gaming needs to do more work to document information used in making procurement decisions and to obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content.

2.0 INTRODUCTION

In our *2012 Report – Volume 1*, Chapter 17, we concluded that Liquor & Gaming had effective processes in place to procure liquor with some exceptions. We made seven recommendations. By September 2013, as reported in our *2013 Report – Volume 2*, Liquor & Gaming had implemented two recommendations.[3] This chapter describes our second follow-up of management's actions on the five recommendations not yet implemented at September 2013.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Liquor & Gaming's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Liquor & Gaming management agreed with the criteria in the original audit.

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[1] Saskatchewan Liquor and Gaming Authority. *2014-15 Annual Report*. p. 3.
[2] Ibid., p. 4.
[3] *2013 Report – Volume 2*, Chapter 47, pp. 317-320.

Our approach primarily included discussions with management and review of related documents, including Liquor & Gaming's most recently completed *Beverage Alcohol Listing Policy* (Listing Policy). We tested a sample of listing applications evaluated by staff to determine whether they were evaluated in accordance with the Listing Policy.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2015, and Liquor & Gaming's actions up to that date. We found that Liquor & Gaming implemented two of the recommendations but still had work to do to meet the remaining three.

3.1 Written Liquor Procurement Strategy Needed

We recommended that Saskatchewan Liquor and Gaming Authority document what it uses and how it uses the information it has to ensure the product selection meets its customers' needs. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

We expected that Liquor & Gaming would have an overall documented strategy to determine what products to buy. Such a strategy would include overall customer demand, gross profits for products, cost and be aligned to Liquor & Gaming's strategic plan.

Liquor & Gaming has started to develop its Category Management Strategy (Strategy) and has created a position dedicated to category strategy. Since September 2013, it has analyzed internal sales trends by major liquor category (e.g., spirits, wine). It expects to formally analyze the Association of Canadian Distillers national liquor sales trends. It also plans to survey customers, and analyze those results to better determine customer demand and product preferences.

Once developed, Liquor & Gaming indicated that it plans to use this Strategy to guide its product selection and performance monitoring processes. It expects to finalize this strategy in spring 2017.

3.2 Written Product Selection Processes Developed

We recommended that Saskatchewan Liquor and Gaming Authority develop written procedures for staff to use to objectively select all liquor purchases. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

Status – Implemented

In April 2014, Liquor & Gaming revised its Listing Policy to facilitate objective selection of liquor purchases. The Listing Policy includes a new product scoring tool that outlines specific criteria and weighting for scoring and selecting liquor products for purchase. These criteria include:

- Category need, trends, and customer demand
- Taste/price value
- Marketing investment
- Packaging and labelling
- Projected sales and profitability
- Supplier performance
- Brand performance, accolades and awards
- Supply chain

In 2014, Liquor & Gaming's Listing Committee (Committee) developed and tested the effectiveness of this scoring tool. The Committee meets every month to review and evaluate new liquor purchase applications. We found that, during 2014-15, the Committee used the Listing Policy for its assessment of liquor purchase applications.

3.3 New Products Formally Evaluated

We recommended that Saskatchewan Liquor and Gaming Authority formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

Status – Implemented

As noted in **Section 3.2**, Liquor & Gaming implemented its new Listing Policy in April 2014. The Committee evaluates and scores new liquor product applications using the criteria set out in the Listing Policy. We found that the Committee used these criteria to evaluate new liquor product applications during the 2014-15 year.

For the product applications we reviewed, the Committee gave each a score and communicated the results of the assessments to each of the suppliers. For unsuccessful suppliers, Liquor & Gaming sent emails indicating the category areas where the product ranked lower than competitors.

3.4 Formal Assurance on Product Safety Needed

We recommended that Saskatchewan Liquor and Gaming Authority obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

Status – Not Implemented

We expected that Liquor & Gaming would, using a risk-based approach, test its products or reach an agreement to obtain product safety information from a party other than the liquor supplier (e.g., Liquor Control Board of Ontario). Management would assess the information and determine its impact on its liquor buying decisions.

As we reported in our *2013 Report – Volume 2*, at September 2013, Liquor & Gaming was developing a quality assurance policy related to liquor products sold in Saskatchewan. It had expected to finalize this policy in 2014. However, at March 2015, development of this policy continued, and it had not set a target date for its completion.

3.5 Written Procedures for Monitoring Product Performance Needed

We recommended that Saskatchewan Liquor and Gaming Authority develop and use written procedures for monitoring product performance regarding sales targets, quotas, and product quality. (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

We expected that Liquor & Gaming would have documented monitoring procedures for monitoring product sales and quality. Procedures would set out expected types and timing of analysis (e.g., achievement of sales targets) and product quality (e.g., customer satisfaction with product, condition of product). Staff would use and document work done to comply with these procedures.

In conjunction with the development of the Strategy noted in **Section 3.1**, Liquor & Gaming is planning to develop written procedures for monitoring product performance regarding sales and quality.

By March 2015, it had developed general guidance in its Listing Policy to identify, by category (e.g., spirits, wine), underperforming products. Underperforming products are generally those within the bottom 15% of sales by category. These are presented to the Listing Committee for consideration for de-listing (i.e., Liquor & Gaming would discontinue selling this product).

Chapter 55
Sun Country Regional Health Authority—Managing Medications

1.0 MAIN POINTS

This chapter reports the results of our first follow up of recommendations we made in 2013 relating to Sun Country Regional Health Authority's (Sun Country) processes to manage and administer medications in its district hospitals. By September 30, 2015, Sun Country made significant improvements; it had implemented four of the five recommendations.

Sun Country revised its policies on obtaining medications after regular pharmacy hours and disposing of medications, and took steps so that nursing staff understood the new policies. It created and began using a Medication Management Continuous Quality Improvement team. This team is responsible for analyzing reasons for medication errors and recommending changes to prevent similar errors in the future. While its staff consistently used the approved form to create patient medication histories, they did not consistently document patients' weight on patient medication profiles as expected. A patient's weight plays an important role in determining the dose of medication for the patient.

2.0 INTRODUCTION

Under *The Regional Health Services Act*, regional health authorities (RHAs) are responsible for the operation of hospitals and the services provided in those hospitals. Medications play a vital role in patient care and the operation of any hospital. Effectively managing and administering medications in hospitals reduces the risk that patients could be adversely affected by medication errors.

In our *2013 Report – Volume 2*, Chapter 31, we concluded that Sun Country had effective processes to manage and administer medications in its two district hospitals except that it needed to:

- Follow its established policies to gain access to the pharmacy after regular hours and properly dispose of medication
- Use its approved form to document patient medication history and weight
- Analyze medication errors and the contributing factors, and use that analysis to develop action plans to address the issues

We made five recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Sun Country's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Sun Country's management agreed with the criteria in the original audit.

In this follow-up, we examined Sun Country's policies and procedures related to medication management, minutes, and other relevant documents. We reviewed a sample of medication profiles.[1] We also interviewed members of Sun Country's senior management and other key staff.

3.0 KEY FINDINGS AND RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2015, and Sun Country's actions up to that date.

By September 2015, Sun Country has implemented four recommendations and has made limited progress on addressing the remaining one recommendation.

3.1 Policy on After-Hours Pharmacy Access Followed

> We recommended that Sun Country Regional Health Authority monitor that staff consistently follow its policy of obtaining proper authorization and documenting the pharmacist consulted before entering the pharmacy after regular hours. (2013 Report – Volume 2; Public Accounts Committee agreement January 15, 2015)
>
> **Status** – Implemented

In November 2014, Sun Country revised its policy on obtaining medications after regular pharmacy hours. Staff continued to complete forms that document the date, time, drug required, dosage form, patient's room number, and quantity of pills taken. At one district hospital, staff also consults the pharmacist noting it on the form. At the other district hospital, the hospital's pharmacy department assigns alarm codes (i.e., access codes) to designated nursing supervisors; these supervisors use the alarm codes to gain entry into the hospital pharmacy.

During our review, we found that one district hospital consistently filled out forms noting the pharmacist consulted. At the other district hospital, designated nursing supervisors used individual alarm codes. The pharmacy manager at this location performed monthly audits that consisted of reviewing records of who accessed the pharmacy after hours to determine if the access was reasonable.

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[1] A medication profile is the documented information on a patient's medication history.

3.2 Training and Monitoring Compliance with Wasted Medication Policy Provided

We recommended that Sun Country Regional Health Authority train its staff to follow its policy to dispose of wasted medication properly and monitor compliance with the policy. (2013 Report – Volume 2; Public Accounts Committee agreement January 15, 2015)

Status – Implemented

Sun Country provided its nursing staff with a copy of the revised medication disposal policy, and required them to sign off that they had read and understood the policy changes. The region requires nursing staff to sign off each time a policy update takes place.

Nursing supervisors monitor compliance with the revised medication disposal policy as part of their day-to-day duties. Any issues noted with the policy by these supervisors are brought to the attention of the region's pharmacy staff. In addition, management indicated nursing staff bring forward to their nursing supervisor or pharmacy staff any questions related to the application of the revised policy.

3.3 Approved Form Used to Create Patient Medication Histories

We recommended that Sun Country Regional Health Authority require all its hospitals to use the approved form generated from the province-wide pharmaceutical system to create accurate patient medication histories. (2013 Report – Volume 2; Public Accounts Committee agreement January 15, 2015)

Status – Implemented

During our review, we found that all of Sun Country's district hospitals used the approved form from the province-wide pharmaceutical system to create patient medication histories.

3.4 Complete Patient Medication Profiles Needed

We recommended that Sun Country Regional Health Authority consistently complete patient medication profiles by documenting patients' weight. (2013 Report – Volume 2; Public Accounts Committee agreement January 15, 2015)

Status – Not Implemented

Patient medication profiles document key information on a patient's medication history. A patient's weight plays an important role in determining the dose of medication for the patient. Sun Country recognizes the importance of documenting patient weight in a consistent place; its policy requires nursing staff to record the patient's weight when completing patient medication profiles.

For patient files we reviewed, 50% of the medication profiles did not document patients' weight. As part of monitoring, Sun Country performs monthly audits of medication reconciliations. As a part of these audits, management reviews patient medication profiles for documentation of patient weight. Sun Country's audits for April to June 2015 also found staff did not always record weight in patient files.

Not following established processes to document the patient's weight in conjunction with the completion of patient medication profiles increases the risk of prescribing and administering improper doses to a patient, resulting in harm.

3.5 Medication Errors Analyzed

> We recommended that Sun Country Regional Health Authority analyze the medication errors and the contributing factors, and use that analysis to develop action plans to address the reasons for serious and reoccurring errors. (2013 Report – Volume 2; Public Accounts Committee agreement January 15, 2015)
>
> **Status** – Implemented

Management collects information on the number of medication errors through its patient safety database. The information is provided to staff every two months as part of continuous quality reports. These reports provide staff with information on items such as patient safety incidents, critical incidents, and lessons learned.

Sun Country created a Medication Management Continuous Quality Improvement (CQI) team in December 2013. The region's Pharmacy Director receives copies of all medication-related patient safety reports for review and forwards any issues or trends identified during this review to the CQI team. In addition, staff forward all serious medication management related issues (e.g., adverse drug reactions, medication errors) to the CQI team for its review and action. We noted that upon a notification of serious medication errors, the CQI team performs a root-cause analysis[2], and recommends changes to prevent similar errors in the future.

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[2] Root-cause analysis includes identifying the causes for the problem.

Chapter 56
Water Security Agency—Drinking Water Regulation

1.0 Main Points

The Water Security Agency (Agency) is responsible for regulating public waterworks that provide drinking water in Saskatchewan. By May 31, 2015, the Agency had implemented all six recommendations we made in 2013 to improve its drinking water regulation processes.

2.0 Introduction

Municipalities, Saskatchewan Water Corporation, and others (e.g., Hutterite colonies, parks) own and operate public waterworks that provide drinking water to the majority of people in Saskatchewan. Public waterworks owners are ultimately responsible for providing safe drinking water to their consumers. Under *The Water Security Agency Act*, the Agency is responsible for regulating public waterworks owners in Saskatchewan. The Agency regulates these public waterworks owners by issuing permits, periodically inspecting waterworks, and enforcing permits. Overall, the Agency regulates about 770 public waterworks. Without effective regulation, there is an increased risk of public waterworks providing unsafe drinking water.

This chapter describes our follow-up of the Agency's actions on six recommendations we made in our *2013 Report – Volume 1*, Chapter 17. In that report, we concluded that for the period of October 1, 2012 to March 31, 2013, the Water Security Agency had effective processes to regulate public waterworks except it needed to:

- Inspect all waterworks and identify non-compliance with drinking water tests in a timely manner to better monitor waterworks owners
- Establish policies to direct staff to take consistent action on non-compliance
- Coordinate efforts with the Ministry of Government Relations to ensure feasible plans for water infrastructure upgrades are in place before approving new residential developments
- Develop an enforcement policy for those waterworks owners that are failing to upgrade waterworks for new residential developments as promised
- Align its regulations and permits with the national drinking water guidelines

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Agency's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Agency's management agreed with the criteria in the original audit. We interviewed Agency staff, examined policies, reviewed waterworks inspection results, and assessed new legislation.

3.0 Status of Recommendations

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at May 31, 2015, and the Agency's actions up to that date. We found that the Agency has implemented all six recommendations.

3.1 Provincial Water Quality Standards Align with National Guidelines

We recommended that the Water Security Agency complete its process to update *The Water Regulations, 2002* and its permits to align with the current *Guidelines for Canadian Drinking Water Quality*. (2013 Report – Volume 1; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

Saskatchewan uses national drinking water quality guidelines set by Health Canada to establish its indicators of drinking water quality. The national guidelines, known as the *Guidelines for Canadian Drinking Water Quality*, cover bacteriological water quality, chlorine, turbidity (cloudiness), and chemical (e.g., health and toxicity) standards. Up until June 1, 2015, the Agency had its provincial drinking water quality standards set in *The Water Regulations, 2002*. We found, in our original audit, that the provincial drinking water quality standards did not align with the national guidelines for all relevant standards.

Since our audit, the Agency established *The Waterworks and Sewage Works Regulations* (new regulations) that outline new provincial drinking water quality standards. The new regulations, which repealed *The Water Regulations, 2002*, became effective June 1, 2015. The new regulations align with national guidelines.

The Agency plans to begin altering its waterworks permits to align with the new regulations. If there is a conflict between the permit to operate and the new regulations, the new regulations require waterworks owners to comply with the more stringent requirements.

3.2 Timely Inspections and Identification of Non-Compliance Occurring

We recommended that the Water Security Agency perform inspections of public waterworks in accordance with the frequency specified in its policies. (2013 Report – Volume 1; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

We recommended that the Water Security Agency identify non-compliance with drinking water sampling requirements in a timely manner. (2013 Report – Volume 1; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

From 2012-13 to 2013-14, the Agency increased the number of inspections performed from 726 to 896 inspections.[1] The Agency requires all waterworks that supply drinking water to be inspected at least once a year, and waterworks that serve cities to be inspected at least twice a year. We found the Agency has been performing inspections in accordance with its policy; all waterworks were inspected at least once and all waterworks serving major cities were inspected at least twice within the past year.

The Agency requires all waterworks owners, through permits to operate, to sample health and toxicity levels in drinking water between once every six months to two years. It continued to use inspections to follow up on non-submitted health and toxicity samples; these inspections are occurring more timely than in the past, as noted above. We found that only three waterworks owners had ongoing instances of submitting late health and toxicity samples between April 1, 2013 and March 31, 2015. The Agency had identified these three instances and was taking appropriate actions to address them.

3.3 Enforcement Protocol Implemented

We recommended that the Water Security Agency establish policies to consistently address non-compliance by waterworks owners and take action when they do not comply with permit conditions. (2013 Report – Volume 1; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

The Agency has developed and implemented an enforcement protocol designed to ensure consistent action is taken when waterworks owners do not comply with their operating permit conditions. Environmental Project Officers (EPOs) are responsible for taking compliance action. In general, EPOs are expected to first give a verbal warning and note the non-compliance on inspection reports. If non-compliance continues, EPOs are expected to issue a notice of violation that outlines various actions and requirements depending on the type of non-compliance. Further enforcement action can be a Minister's Order, administrative penalties, or prosecutions. Compliance actions taken by EPOs are ultimately at the discretion of EPOs. In a sample of 20 waterworks, we found the Agency followed its enforcement protocol when addressing non-compliance.

3.4 Waterworks Being Upgraded for New Residential Developments

We recommended that the Water Security Agency determine an appropriate enforcement policy for waterworks owners that do not fulfill their commitments to upgrade waterworks for new residential developments. (2013 Report – Volume 1; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

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[1] Water Security Agency *2012-13 and 2013-14 Annual Reports*, p. 18 and p. 20.

We recommended that the Water Security Agency and the Ministry of Government Relations coordinate their efforts to ensure waterworks owners have feasible plans for upgrading water infrastructure before approving new residential developments to ensure sufficient infrastructure exists as development occurs. (2013 Report – Volume 1; Public Accounts Committee agreement January 13, 2014)

Status – Implemented

To ensure that growing communities have adequate drinking water infrastructure, since 2009, the Agency has issued permits for some constructions under a "parallel growth" policy. This policy allows construction permits issued for new subdivision developments to include conditions where waterworks owners provide written commitments that waterworks upgrades will take place as residential development occurs.

In 2013, the Agency developed an enforcement policy for waterworks that do not fulfill their commitments to upgrade waterworks for new residential developments. The Agency has not needed to use the enforcement measures set out in this policy as waterworks owners have been fulfilling their commitments to upgrade waterworks for new residential developments. From 2012 to 2015, seven communities gave written commitments to the Agency to upgrade their waterworks. Four of these communities have completed their upgrades and the other three are scheduled to complete construction in the summer and fall of 2015.

As well, the Agency has been participating on the Rapid Growth Communities committee[2] led by the Ministry of Government Relations (Ministry). The purpose of this committee is to:

- Assess community and regional capacity in a number of specific infrastructure/service delivery areas (including drinking water infrastructure)
- Provide advice to the community/region and identify any public service/infrastructure issues that need addressing
- Highlight public service/infrastructure issues that require the attention of the province in rapid growth communities/regions
- Focus Ministry/Agency resources to support communities

The Rapid Growth Community committee demonstrates coordination efforts between the Ministry of Government Relations and the Agency to ensure that waterworks owners have feasible plans for upgrading water infrastructure as development occurs.

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[2] The Saskatchewan Housing Corporation, SaskTel, SaskPower, SaskEnergy and the Ministries of Highways and Infrastructure, Environment, Education, Justice, Health, Social Services, and Economy also participate on this committee.

Appendix 1

Agencies Subject to Examination under *The Provincial Auditor Act* and Status of Audits

Our goal is to provide the Legislative Assembly with timely reports on the results of our examinations. We do not delay our reports to accommodate incomplete audits, but rather include their results in a future report. We aim to report the results of our annual integrated audits of agencies with December fiscal year-ends in the spring (i.e., Report – Volume 1) and agencies with March fiscal year-ends in the fall (i.e., Report – Volume 2). Also, we report the results of our follow-ups and performance audits in the report following their completion.

The table below lists the agencies subject to examination under *The Provincial Auditor Act* at July 31, 2015 along with their fiscal year-end. Agencies subject to our examination include ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, other agencies that administer public money, and offices of the Legislative Assembly.

For each of these agencies, the table sets out the status of our integrated audits at October 30, 2015. It also indicates whether we are or have reported matters for the Assembly's attention within the last twelve months, and if so, it identifies the relevant Report.

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	No
Ministries and Secretariats:			
Ministry of Advanced Education	March 31	Complete	Yes/2015 Rpt V1 & V2
Ministry of Agriculture	March 31	Complete	Yes/2015 Rpt V2
Ministry of Central Services	March 31	Delayed	Yes/ 2015 Rpt V1 & V2
Ministry of the Economy	March 31	Complete	Yes/2015 Rpt V1 & V2
Ministry of Education	March 31	Complete	Yes/2015 V1 & V2
Ministry of Environment	March 31	Complete	Yes/2015 Rpt V1 & V2
Ministry of Finance	March 31	Complete	Yes/2015 Rpt V1 & V2
Ministry of Government Relations	March 31	Complete	Yes/2015 Rpt V1 & V2
Ministry of Health	March 31	Complete	Yes/ 2015 Rpt V1 & V2
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2015 Rpt V2
Ministry of Justice	March 31	Complete	Yes/ 2015 Rpt V2
Ministry of Labour Relations and Workplace Safety	March 31	Complete	No
Ministry of Parks, Culture and Sport	March 31	Complete	Yes/ 2015 Rpt V1 & V2
Ministry of Social Services	March 31	Complete	Yes/2015 Rpt V1 & V2
Executive Council	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2015 Rpt V1 & V2
Crown Agencies:			
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Carlton Trail College	June 30	Complete	No
Chinook School Division No. 211	August 31	Complete	Yes/2015 Rpt V1

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Complete	Yes/2015 Rpt V1
Creative Saskatchewan	March 31	Complete	Yes/2015 Rpt V2
Creighton School Division No. 111	August 31	Complete	No
Cumberland College	June 30	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
eHealth Saskatchewan	March 31	Complete	Yes/2015 Rpt V1 & V2
Englefeld Protestant Separate School Division No. 132	August 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2015 Rpt V1 & V2
Global Transportation Hub Authority, The	March 31	Complete	No
Good Spirit School Division No. 204	August 31	Complete	No
Government House Foundation, The	March 31	Complete	No
Great Plains College	June 30	Complete	No
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
Health Shared Services Saskatchewan (3sHealth)	March 31	Complete	Yes/2015 Rpt V2
Holy Family Roman Catholic Separate School Division No. 140	August 31	Complete	No
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Complete	No
Horizon School Division No. 205	August 31	Complete	Yes/2015 Rpt V1
Ile-a-la Crosse School Division No. 112	August 31	Complete	Yes/2015 Rpt V1
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Complete	Yes/2015 Rpt V1
Liquor and Gaming Authority	March 31	Complete	Yes/2015 Rpt V1 & V2
Living Sky School Division No. 202	August 31	Complete	No
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Complete	No
Lloydminster Public School Division No. 99	August 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
Métis Development Fund	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
North East School Division No. 200	August 31	Complete	No
North Sask. Laundry & Support Services Ltd.	March 31	Complete	No
North West College	June 30	Complete	No
Northwest School Division No. 203	August 31	Complete	No
Northern Lights School Division No. 113	August 31	Complete	Yes/2015 Rpt V1
Northlands College	June 30	Complete	Yes/2015 Rpt V2

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland College	June 30	Complete	No
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	Yes/2015 Rpt V2
Prairie North Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
Prairie South School Division No. 210	August 31	Complete	Yes/2015 Rpt V1
Prairie Spirit School Division No. 206	August 31	Complete	Yes/2015 Rpt V1
Prairie Valley School Division No. 208	August 31	Complete	No
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2015Rpt V2
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Complete	No
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2015 Rpt V1 & V2
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	Yes/2015 Rpt V2
Regina School Division No. 4	August 31	Complete	Yes/2015 Rpt V1 & V2
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2015 Rpt V2
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	Yes/2015 Rpt V2
Saskatchewan Association of Health Organizations Inc.	March 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2015 Rpt V2
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2015 Rpt V2
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	Yes/2015 Rpt V2
Saskatchewan Housing Corporation	December 31	Complete	Yes/2015 Rpt V1
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	Yes/2015 Rpt V2
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2015 Rpt V2
Saskatchewan Polytechnic (formerly Saskatchewan Institute of Applied Science and Technology)	June 30	Complete	Yes/2015 Rpt V2
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31	Complete	No
Saskatchewan Research Council	March 31	Complete	Yes/2015 Rpt V2
Saskatchewan Rivers School Division No. 119	August 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	No
Saskatoon School Division No. 13	August 31	Complete	No
SaskBuilds Corporation	March 31	Complete	Yes/2015 Rpt V1
South East Cornerstone School Division No. 209	August 31	Complete	No
Southeast College	June 30	Complete	Yes/2015 Rpt V2
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2015 Rpt V2

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
Sun Country Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
Sun West School Division No. 207	August 31	Complete	Yes/2015 Rpt V1
Sunrise Regional Health Authority	March 31	Complete	Yes/2015 Rpt V2
TecMark International Commercialization Inc.	March 31	Note 1	
Tourism Saskatchewan	March 31	Complete	Yes/2015 Rpt V2
Water Appeal Board	March 31	Complete	No
Water Security Agency	March 31	Complete	Yes/2015 Rpt V2
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	No
CIC Crown Corporations and related agencies:			
101069101 Saskatchewan Ltd.	December 31	Note 1	
115317 Manitoba Ltd. (formerly Swan Valley Gas Corporation)	December 31	Note 1	
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Note 1	
Bayhurst Gas Limited	December 31	Complete	No
BG Storage Inc.	December 31	Note 1	
Bruno Holdings Inc.	December 31	Note 1	
CIC Asset Management Inc.	December 31	Complete	No
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 5	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 5	
Coachman Insurance Company	December 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
DirectWest Canada Inc.	December 31	Note 1	
DirectWest Corporation	December 31	Complete	No
First Nations and Métis Fund Inc.	December 31	Complete	No
Gradworks Inc.	December 31	Complete	No
Invest Sask Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Manalta Investment Company Ltd.	December 31	Note 1	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Qu'Appelle Holding, Inc.	December 31	Note 1	
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Note 1	
Saskatchewan Gaming Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2015 Rpt V1

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
Saskatchewan Immigrant Investor Fund Inc.	December 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2015 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	Yes/2015 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	No
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	Yes/2015 Rpt V1
SaskEnergy Incorporated	December 31	Complete	Yes/2015 Rpt V1
SaskPower International Inc.	December 31	Note 1	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
TransGas Limited	December 31	Complete	No
Special purpose and trust funds including pension and benefit plans:			
Capital Pension Plan	December 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2015 Rpt V2
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Financial and Consumer Affairs Authority of Saskatchewan	March 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Note 3	
Growth and Financial Security Fund	March 31	Note 3	
Health Shared Services Saskatchewan Core Dental Plan	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – CUPE	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – SEIU	December 31	Complete	No

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
Health Shared Services Saskatchewan Disability Income Plan – General	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – SUN	December 31	Complete	No
Health Shared Services Saskatchewan Group Life Insurance Plan	December 31	Complete	No
Health Shared Services Saskatchewan In-scope Extended Health/Enhanced Dental Plan	December 31	Complete	No
Health Shared Services Saskatchewan Master Trust Combined Investment Fund	December 31	Note 2	
Health Shared Services Saskatchewan Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Horned Cattle Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Liquor Board Superannuation Plan	December 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete, Note 4	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2015 Rpt V1
Northern Municipal Trust Account	December 31	Complete	Yes/2015 Rpt V1
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2015 Rpt V2
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Pension Plan for the Non-Teaching Employees of the Saskatoon School Division No. 13	December 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Employees Pension Plan	March 31	Complete	No
Public Service Superannuation Plan	March 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	Yes/2015 Rpt V2
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of – Director's Trust Account	March 31	Complete	No
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Severance Pay Credits Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teachers' Dental Plan	June 30	Complete	Yes/2015 Rpt V2
Teachers' Disability Plan	June 30	Complete	No
Teachers' Group Life Plan	August 31	Complete	No
Teachers' Superannuation Plan	June 30	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Water Security Agency Retirement Allowance Plan	March 31	Complete	No
Offices of the Legislative Assembly:			
Advocate for Children and Youth, Office of the	March 31	Complete	No
Board of Internal Economy/Legislative Assembly Service	March 31	Complete	No
Chief Electoral Officer, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies:			
Pension Plan for the Eligible Employees at the University of Saskatchewan	December 31	Complete	No
Pension Plan for the Academic and Administrative Employees of the University of Regina	December 31	Complete	No
Technical Safety Authority of Saskatchewan, The	June 30	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No

Agency	Fiscal Year-End [a]	Status at October 30, 2015 [b]	Matters Reported / Related Report(s) [c]
University of Regina, The	April 30	Complete	Yes/2015 Rpt V1
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Long-Term Disability Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.

Note 2: Health Share Services Saskatchewan no longer prepares financial statements for the Master Trust Combined Investment Fund.

Note 3: The Ministry of Finance does not prepare financial statements for this Fund.

Note 4: This entity had no active operations.

Note 5: This entity was dissolved effective January 23, 2015.

Note 6: This entity was wound up on June 24, 2015.

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a.

Fiscal Year-end	Year of last completed integrated audit
March 31	2015
April 30	2015
May 31	2015
June 30	2015
July 31	2015
August 31	2014
September 30	2014
December 31	2014

b. "Complete" – the audit was complete at October 30, 2015.
"Delayed" – the audit was delayed.

c. "No" - no significant issues were reported.
"Yes/2015 Rpt V1" – significant issues are reported in our *2015 Report – Volume 1*.
"Yes/2015 Rpt V2" – significant issues are reported in our *2015 Report – Volume 2*.

Appendix 2
Samples of Opinions We Form on Ministries, Crown Agencies, and Crown-Controlled Corporations

Our mission states, "To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources." To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on:

- The effectiveness of the Government's management of public resources
- The Government's compliance with legislative authorities
- The reliability of the Government's public performance reports (e.g., financial statements)

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We adhere to assurance standards published by CPA Canada when forming our opinions. The following are samples of our audit opinions.

1. The Effectiveness of the Government's Management of Public Resources

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives:

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations, and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework published by CPA Canada to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The control framework defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance as to the effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks, and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities, and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the control framework.

2. The Government's Compliance with Legislative Authorities

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing, and investing activities during the year ended [Year end]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Crown agency X], which comprise the [statement of financial position] as at [Year end], and the [statements of operations, change in net debt, and cash flow] for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for [Treasury Board's] approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].

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